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Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives

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Item 2 of the provisional agenda*

**Preparations for the special session of the General Assembly
on the implementation of the outcome of the World Summit
for Social Development and further initiatives**

Review of reports and proposals for further action and initiatives submitted by organs and specialized agencies of the United Nations system and other concerned organizations

Note by the Secretary-General

Addendum

Contribution from the United Nations Development Programme**

1. The Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, in paragraph 12 of the annex to decision 1,¹ invited the United Nations Development Programme to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment/jobs, resources and the environment.
2. The Secretary-General accordingly circulates herewith, for the information of the Preparatory Committee, the report prepared by the United Nations Development Programme in response to that request.

* A/AC.253/12.

** The report is being issued herewith as received in the language of submission only.



Notes

- ¹ *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45 (A/54/45 and corrigendum), chap. VI, sect. B.*

Employment, Resource Management and Poverty Reduction: *Towards Sustainable Livelihoods*

Summary of the paper prepared by UNDP for submission to the WSSD+5 preparatory process

Introduction:

This is a summary of the paper written in response to an invitation from the WSSD+5 Preparatory Committee for UNDP to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment, resources and the environment. The paper does not attempt to provide a comprehensive analysis of all the issues coming out of the WSSD but instead focuses on Commitment 3 which deals with the issues of employment and livelihoods. Other relevant substantive areas such as globalisation, SAP's, trade, social integration etc. The page numbers in brackets refer to relevant pages in the full text).

The five key areas are:

1. Sustainable Livelihoods: Implications for Policy Formulation
2. Enterprise, Employment and Livelihoods
3. Poverty, Environment and Livelihoods
4. Youth Livelihoods
5. Turning Policy into Action

1. Sustainable Livelihoods: Implications for Policy Formulation

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of generating employment, effective resource management and poverty reduction. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of livelihood systems. The goal of policy should be to support existing and develop new livelihood systems. The sustainable livelihoods approach incorporates a set of four core principles that can be used to make policy more responsive to people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- **Assets** An important principle of this approach is that it starts with an analysis of community assets, rather than needs. There are four broad assets types: refer to natural (i.e. water), human (i.e. skills), physical (i.e. infrastructure) and social (i.e. family networks) assets. A focus on these assets will broaden policy making so that instead of looking at people in an enclave it is now conceptually easier to see that livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve access to assets and to build on and support existing community coping and adaptive strategies
- **Holistic** To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of livelihoods. One of the major challenges in policy development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.
- **Entitlements** refer to exchange capabilities and human rights, which include economic, social, cultural and political rights, all of which are interdependent and

recognised by the international community. Policy should take into account the constraints that prevent people from realising these entitlements and secondly promote measures that allow people to overcome these constraints through empowerment and eliminating discrimination.

- **Macro micro linkages.** Traditional development activity tends to focus at *either* the macro *or* the micro level. The sustainable livelihoods approach attempts to bridge this gap, emphasising the importance of macro policy and institutions to the livelihoods systems of communities and individuals. There is a need for higher level policy development and planning to be informed by lessons learnt and insights gained at the local level.
- **Sustainability** In order for policy to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:
 - The ability to cope with and recover from shocks and stresses;
 - Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
 - Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
 - Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

2. Enterprise, Employment and Livelihoods

This section proposes firstly a policy for an ownership solution whereby employees get a stake in the economic system -Employee Share Ownership Plans (*ESOPs*) - and secondly examines the potential of e- commerce as a vehicle for enterprise, employment and livelihoods. These ideas are a marked departure from labour based growth policies and enterprises, and are intended as additional options.

ESOPs (p.6)

An ESOP is an employee benefit plan that makes the employees of a company owners of stock in that company. The concept of ESOP's provides a third way between labour biased strategies on the one hand and free enterprise business strategies on the other and provide a concrete mechanism that can empower communities in the face of increasing globalisation. A number of policy recommendations that promote new and support existing ESOPs are outlined in the full paper.

E-Commerce (p.10)

The potential benefits of e-commerce for the developing world are immense. E-commerce will be able to bring about new employment and livelihood opportunities to developing countries. We highlight the case of Tunisia where the information highway is considered as one of the main roads that could improve Tunisia's economy and the Tunisian Government has paid a special attention to electronic commerce and has set up a National Commission for Electronic Commerce. A number of policy recommendations

that promote new and support existing e-commerce operations are outlined in the full paper.

Section 3: Livelihoods, Poverty and the Environment

Concern with the state of the environment often seems to pit environmentalists and policy makers against the poor. Unfortunately, the link between poverty and environment is uncritically characterized as a "vicious circle" or a "downward spiral." Population growth and inadequate resources are presumed to lead to the migration of the poor to ever more fragile lands or more hazardous living sites, forcing poor people to overuse environmental resources. In turn, the degradation of these resources further impoverishes them. While this does sometimes happen, as an overarching model it is highly simplistic, and often leads to policies that either reduce poverty at the expense of the environment or protect the environment at the expense of poor people.

Well-planned actions can break this cycle. Based on experience from around the world, there are "win-win" options that can build better institutions and partnerships with poor people creating more robust livelihoods and healthier environments. These options, discussed in the full paper simultaneously pursue two goals: reduced poverty and better social equity, and enhanced environmental protection. Improved governance is an important vehicle for achieving these goals.

Section 4: Promoting Sustainable Youth Livelihoods

Traditional youth development programmes have tended to focus on youth as a separate development 'niche'. This approach overlooks the fact that youth livelihood systems are inherently interconnected to the surrounding social, financial and ecological environment especially as members of households in a given community. The reality is that youth livelihood systems comprise a complex and diverse set of economic, social and physical strategies. Sustainable livelihoods are derived from youth's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. Given the complex nature of youth livelihoods it is clear that policy interventions that focus narrowly on providing jobs for youth will rarely be sustainable as they fail to take into account the holistic nature of youth livelihood systems. Today's policy response requires some fundamental shifts in the way policy makers view the challenge of providing jobs for young people. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of youth livelihood systems. The goal of policy should be to support existing and develop new livelihood systems for youth. Finally a number of policy recommendations that promotes new and support existing youth livelihoods are outlined in the full paper.

Section 5: Turning Policy into Action

To achieve a new method of working, government agencies—and sometimes NGOs as well—must undertake to make a number of conceptual shifts and be willing to adopt cross cutting operational principles. Building partnerships with local communities is a new endeavor for many agencies, and one that requires not only good will, but also a

commitment to experimentation and fine-tuning solutions. In brief, governments must engage poor people as partners not beneficiaries, use its resources to catalyze investment in poor communities; and create an enabling environment that for the poor to access existing and exploit new assets.

Introduction

The primary responsibility for implementing the World Summit for Social Development agreements is at the national level and this paper is submitted as part of the UN systems support for this effort. This paper was written in response to an invitation from the WSSD+5 Preparatory Committee for UNDP to report on creating and improving sustainable livelihoods for those living in poverty, paying special attention to the links between employment, resources and the environment. The paper does not attempt to provide a comprehensive analysis of all the issues coming out of the WSSD but instead focuses on Commitment 3 which deals with the issues of employment and livelihoods. Other relevant substantive areas such as globalisation, SAP's, trade, social integration etc. are not explicitly dealt with here but are expected to be covered in contributions to the PrepComm from other sources. The paper takes as a point of departure poverty eradication and employment generating strategies already considered by the WSSD and those contained elsewhere such as UNDP's Human Development Reports.

The purpose of this paper is to contribute additional and innovative pro poor policy options in the area of employment, resources and the environment. Within this framework the concept of sustainable livelihoods is used as both a concrete goal of policy and as a methodology for policy formulation. The paper begins with an examination of the sustainable livelihoods approach including its evolution and methodology (Section 1). In Section 2 'Enterprise, Employment and Livelihoods' Employee Share Ownership Plans and E-commerce are put forward as two innovative enterprise mechanisms that can potentially play a key role in providing sustainable livelihoods and halting the impoverishment process. In Section 3 'Livelihoods, Poverty and the Environment' identifies win-win policy option that empower communities to build on and develop their assets without degrading the environment. Then Section 4 looks at promoting sustainable livelihoods for young people, an area of particular concern for the General Assembly and Secretary-General. The paper concludes with some conceptual and cross cutting operational principles for turning policy into action.

Section 1: Evolution of the Sustainable Livelihoods Idea in the International Context

Surfacing a decade ago in the report of the World Commission on Environment and Development, the idea of sustainable livelihoods began as an approach to maintain or enhance resource productivity, secure ownership of and access to assets, resources and income-earning activities as well as to ensure adequate stocks and flows of food and cash to meet basic needs. It was a reflection of the growing recognition that food security was not merely a problem of agricultural productivity but was a problem of poverty in all its multi faceted dimensions. The 1992 United Nations Conference on Environment and Development (UNCED) moved the concept towards an action agenda especially in the context of Agenda 21, and advocated for the achievement of sustainable livelihoods as a broad goal for poverty eradication focused on the poor who live in marginalised areas. Agenda 21 stated that sustainable livelihoods could serve as an integrating factor that allows policies to address development, sustainable resource management and poverty

eradication simultaneously. The Copenhagen World Summit for Social Development and the Fourth World Conference on Women (FWCW) at Beijing underscored the significance of linkages between sustainability, employment, social integration, gender and poverty eradication for policy and development programming.

An important contribution of the Social Summit was its emphasis on the interrelatedness of its main thematic elements (poverty, unemployment and social exclusion). These interdependencies are clarified in the second paragraph of the Introduction to the WSSD Programme of Action, which imply that employment and social integration are necessary conditions for poverty eradication. Though the WSSD did not spell out the specifics of how both full employment and sustainable livelihoods were related to each other it did clearly articulate employment as one of the means to achieve the goal of sustainable livelihoods. Livelihoods are defined below to include assets and entitlements as well as all forms of employment (formal, informal and self) which people use to make a living.

Sustainable Livelihoods Concept

Livelihood systems comprise a complex and diverse set of economic, social and physical strategies. These strategies are realized through the activities, assets and entitlements by which individuals make a living. Sustainable livelihoods are derived from people's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. But sustainable livelihoods are not just about what happens in a given locality. It begins with how people living in poverty, rather than experts, perceive their own reality, and extends to understanding how this reality is related to what happens in the rest of society, to forming new relationships within and outside the locality, and imagining alternative paths of social transformation to the present ones. It stresses the need to support and protect people's capacity to act and produce. Yet people's productive lives are not reduced in narrow economic terms.

The broad goal of poverty eradication is to develop individual, family and community capacities to improve their livelihood systems. To understand these systems, people's coping and adaptive strategies are important entry points for analysis. A sustainable livelihood system can only be understood and promoted if the matrix of interactions between policy, science and technology and investment/finance is approached in an integrated manner and used to augment what local people already do well and the assets to which they have access.

Sustainable Livelihood Methodology

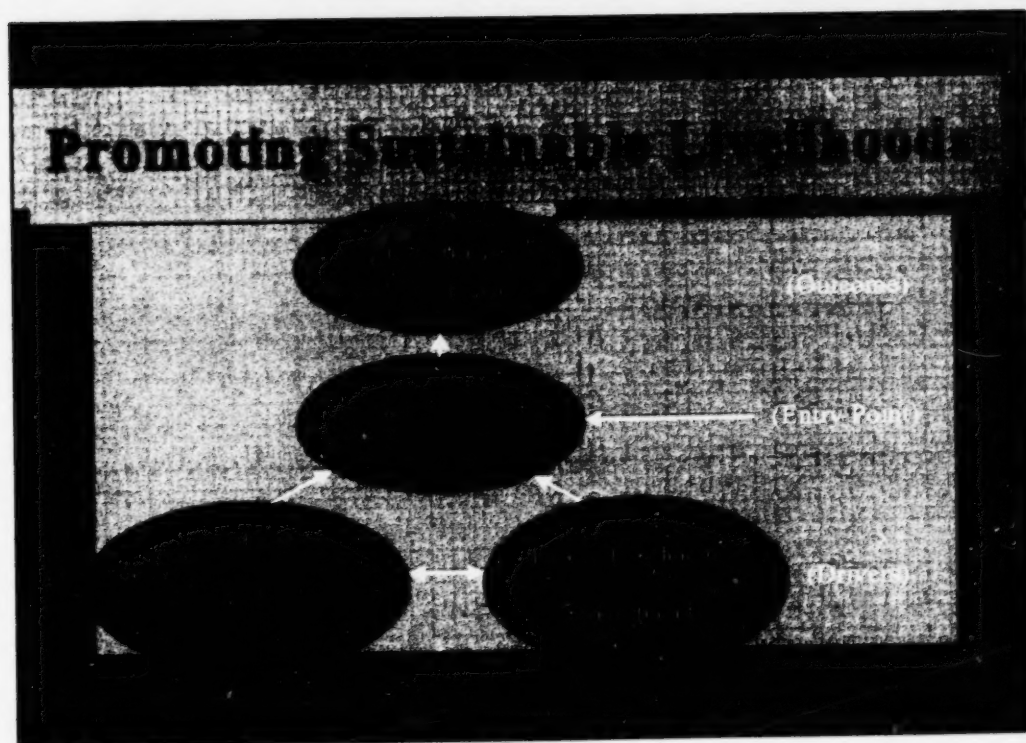
The transition from theory to the practice of SL is, by no means, an easy task. Building on the earlier relevant work, UNDP and other international agencies have developed a methodology (or approach) for the design, implementation and evaluation of SL programmes at the country level. The approach consists of a five step process described briefly below:

- A participatory assessment of the risks, assets (see diagram 1 at the end of the document for an outline of asset types), entitlements and indigenous knowledge base

found in a particular community. These are usually manifested in the coping and adaptive strategies pursued by men and women. Coping strategies are often a short-term response to a specific shock such as drought. On the other hand, adaptive strategies entail a long-term change in behaviour patterns as a result of a shock or stress. Both have implications on the composition of the assets (i.e., depletion, regeneration) from which they are derived;

- Analysis of the macro, micro and sectoral policies, and governance arrangements which impinge on people's livelihood strategies;
- Participatory assessment and determination of the potential contributions of modern science and technology that complement indigenous knowledge systems in order to improve livelihoods;
- Identification of a macro-micro investment strategy, which at the macro level follow an investment led transformation approach based on mobilization of domestic resources. This macro strategy is implemented in harmony with micro finance schemes; and,
- The foregoing four stages are integrated and interactive in real time.

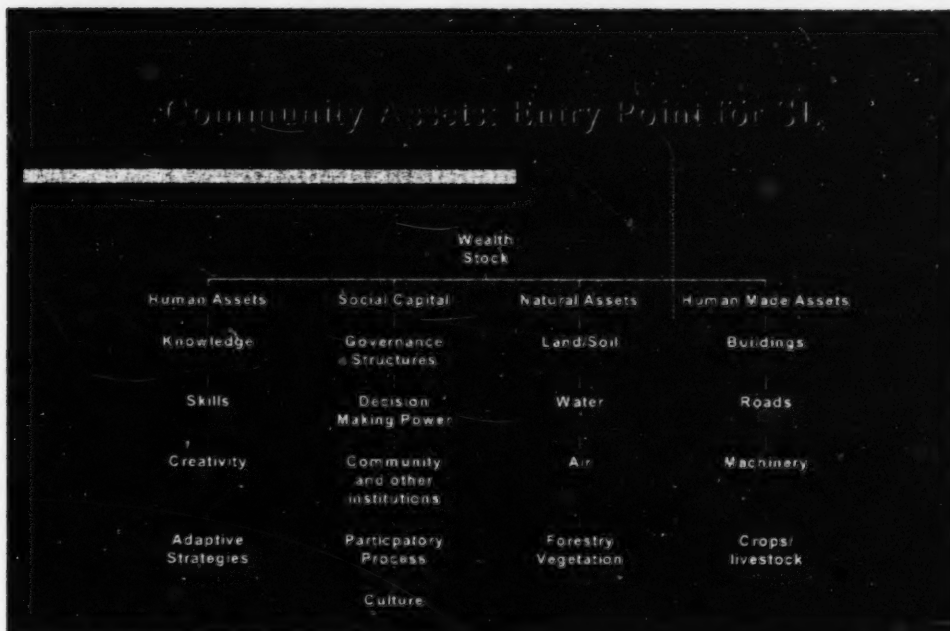
The sustainable livelihood methodology is illustrated in the diagram below.



Sustainable Livelihoods: Implications for Policy Formulation

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of generating employment, effective resource management and poverty reduction. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of livelihood systems. The goal of policy should be to support existing and develop new livelihood systems. The sustainable livelihoods approach incorporates a set of five core principles that can be used to make policy more responsive to people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- **Assets** An important principle of this approach is that it starts with an analysis of community assets (see diagram below for an illustration of asset types), rather than needs. This does not mean that we place an undue focus on the better-endowed members of the community. Rather, it implies recognition of everyone's inherent potential, whether this derives from their strong social networks, their access to



physical resources, their ability to influence core institutions or any other factor that has poverty-reducing potential. A focus on these assets will broaden policy making so that instead of looking at people in an enclave it is now conceptually easier to see that livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve access to assets and to build on and support existing community coping and adaptive strategies.

- **Holistic** To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of livelihoods. In this way the sustainable livelihoods approach provides a way to understand what shapes people livelihoods and how the various influencing factors can be adjusted so that, taken together, they produce a more beneficial livelihood outcome. One of the major challenges in policy

development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.

- **Entitlements** refer to exchange capabilities and human rights, which include economic, social, cultural and political rights, all of which are interdependent and recognised by the international community. Policy should take into account the constraints that prevent people from realising these entitlements and secondly promote measures that allow people to overcome these constraints through empowerment and eliminating discrimination. The primary focus is on the linkages between government, civil society and communities with the aim being to increase the accountability of public institutions.
- **Macro micro linkages.** Traditional development activity tends to focus at *either* the macro *or* the micro level. The sustainable livelihoods approach attempts to bridge this gap, emphasising the importance of macro policy and institutions to the livelihoods systems of communities and individuals. There is a need for higher level policy development and planning to be informed by lessons learnt and insights gained at the local level. This can simultaneously give local people a stake in policy and increase overall effectiveness of policy making. However, this is a difficult task to achieve and future action should focus on further developing mechanisms that help to increase the linkages between local communities and macro level institutions and policy makers.
- **Sustainability** In order for policy outcomes to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:
 - The ability to cope with and recover from shocks and stresses;
 - Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
 - Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
 - Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

Such a broad definition of sustainability provides policy makers with a broad range of policy options. However with diversity come policy trade offs. Common trade offs include tension between local livelihood needs and wider concerns about environmental sustainability, maximizing returns to livelihood systems in the short run while guarding against shocks and stresses in the longer run, and developing livelihood systems without compromising livelihood opportunities of others in the community.

The importance of the Sustainable Livelihoods methodology is that it allows governments and its development partners to identify an appropriate policy options and

provides an approach for integrated implementation. As discussed earlier one of the fundamental principles of the sustainable livelihood approach is that the focus is on community strengths not weaknesses; in the next section the focus is on policy that builds on 'enterprise', an asset found in abundance even in the poorest of the world's countries.

2. Enterprise, Employment and Livelihoods

At the 1999 World Economics Forum in Davos, the Secretary- General proposed a Global Compact challenging the international business community to help the UN to implement universal values in the areas of human rights, environment and labour. The solution must lie in a new type of global security that can only emerge from the collective force of many individuals who are empowered to be *locally* responsible. In addition any solution must be attractive to business and at the same time contribute to sustainable human development. The 1997 UNDP Human Development Report noted a number of core principles necessary to eradicate poverty in the 21st century, these are:

1. Empowerment of individuals, households and communities;
2. Accelerated pro poor growth;
3. Improved management of globalization;
4. An active state;
5. Gender equity;
6. Building on the assets of the poor.

These principles provide a set of guidelines to be adhered to in any policy strategy that aims to foster enterprise, employment and more broadly livelihoods. In line with these principles, this section proposes firstly a policy for an ownership solution whereby employees get a stake in the economic system -Employee Share Ownership Plans (ESOPs) - and secondly examines the potential of e- commerce as a vehicle for enterprise, employment and livelihoods. These ideas are a marked departure from labour based growth policies and enterprises, and are intended as additional options. ESOP's and e-commerce are presented here as potentially innovative solutions for sustainable livelihoods, other micro enterprise approaches, which are based on micro finance schemes, social mobilisation etc. are well known and are not discussed here.

Employee Share Ownership Plans

An ESOP is an employee benefit plan that makes the employees of a company owners of stock in that company. A company which wants to set up an ESOP creates a trust to which it makes annual contributions. These contributions are allocated to individual employee accounts within the trust. A number of different formulas may be used for allocation. The most common is allocation in proportion to compensation, but formulas allocating stock according to years of service, some combination of compensation and years of service have all been used. As will be outlined here ESOP's could potentially provide a pro poor growth mechanism that goes beyond traditional labour based or employment intensive growth. ESOP's adhere to the principles of the sustainable livelihoods approach as they firstly empower individuals and communities by allowing them to fully build on their human capital assets; and secondly are environmentally sound

as they create a feedback mechanism to business whereby employees act as stewards for their own local environment.

The value added of ESOPs is noted below:

- In today's globalized world free enterprise responds to three types of feed back: Product pricing (consumers buy the best quality goods at the best price), share pricing (investment goes into those companies with the best financial returns) and corporate governance. Crucially these signals largely fail to take into account the environmental and social impacts caused by the activities of free enterprise and therefore fail to meet the conditions for sustainability. ESOP's give communities a stake in local businesses, they can then act as stewards to monitor the local environmental and social conditions. Because they are also shareholders they have a voice in the company to lobby for change when that companies business activity is harmful for example to the environment.
- The concept of ESOP's provides a third way between labour biased strategies on the one hand and free enterprise business strategies on the other. ESOP's are attractive to both labour (employees) and business, this is in contrast with traditional employment intensive strategies. Employees gain a stake in the business for which they provide an input while company owners gain a mechanism that allows them to generate capital and gain a more productive workforce.
- ESOP's provide a mechanism for bringing the environment into the decision making process of companies.
- ESOP's reduce inflation by encouraging employees to take less pay in return for more equity.
- ESOP's reduce unionization and the frequency of strikes.
- ESOP's provide a concrete action that can empower communities in the face of increasing globalisation.
- ESOP's can play a major role in preventing people from falling into poverty in addition to empowering those below the poverty line.

There are four types of ESOP's each with its own potential in a developing country context.

CSOP (Customer Stock Ownership Plan)

Under this plan customers of a company become stockowners in that company. The developing world offers rich opportunities for ESOP/CSOP combinations, particularly with the worldwide boom in infrastructure development, such as power generation. For example China plans to build thirty major power plants each year for the foreseeable future. Including an ESOP/CSOP combination as part of each plants capital structure could be helpful both in ensuring broad based indigenous ownership (a political and fiscal plus) and in providing a much needed environmental monitoring source comprised of nearby employee-owners and up-close consumer- owners.

RESOPS (Related Enterprise Share Ownership Plans)

RESOP's provide an opportunity for employees of smaller companies to gain an ownership stake in larger, more established companies. Under RESOP's companies include as participants in their ESOP not only their direct employees but also those employed by companies with which the ESOP sponsor has an ongoing economic relationship, such as suppliers or distributors. This ownership solution helps companies build a relationship-based corporate architecture. Thus, for instance, where a supplier's employees own shares in a company, their motivation is to maximize long-term wealth creation rather than maximize the profit on each transaction. An example of an RESOP is discussed next.

An American investor in the Jamaican Broiler company asked that the company buy out his 25 percent stake, which the company agreed to do. The company borrowed enough funds not only to buy his shares but also a little extra to create what became the first ESOP/RESOP.. Jamaica Broilers has several hundred contract growers who raise chickens for processing, typically small family farmers who raise several dozen to a few hundred chickens. The company also has a dozen or so contract trucking companies (with only a few trucks each) that deliver the processed chickens to local grocers. The extra money that the company borrowed was used, in part, to help upgrade the operations of both the contract growers and the contract truckers. The loan was repaid largely from future company earnings. As the loan was repaid, the shares became owned both by the company's direct employees and by its "related" employees – its expanded network of contract growers and truckers. To assist with loan repayment, employees participated in a payroll-deduction scheme while the truckers had a small amount deducted from each invoice they presented for payment. For the growers, the company instituted a "chicken deduction" system whereby, for example, for every hundred chickens delivered, farmers were paid for ninety-eight in cash and two in Jamaica Broilers shares.

From an ownership perspective, this ESOP/RESOP solution enabled a broad base of Jamaican workers to accumulate capital in a well-established Jamaican company. Indeed, many of the microenterprise employees would not be employed but for their economic relationship with the larger firm.

GSOC (General Stock Ownership Corporation)

ESOP's -like self-financing techniques can also be used to expand ownership beyond economic relationships based either on employment or consumption. One such mechanism is the GSOC (general stock ownership corporation), in which ownership is based on geography or citizenship. A GSOC could readily be adapted to "owner-ize" government-owned natural resources such as mining deposits or drilling rights located on public lands. History is replete with stories of countries that experience a bust following on the heels of a natural resource-fed boom such as the discovery of oil (Venezuela, Nigeria). A GSOC could, for instance, retain a royalty interest in an oil field or a mine, while a more traditional company is awarded extraction rights conditioned on sponsoring both an ESOP and a RESOP. The scope of participation in a GSOC need not be national or even statewide; it could be regional or even community-based. For instance, a GSOC could be used to create community-wide individual ownership of a local industrial or business park. Some GSOC shares could be allocated to fund education or infrastructure.

Practically any revenue-generating activity could be "GSOC'ed", especially where the stakeholder status is reasonably clear.

The GSOC's unusual blend of individual ownership and community-wide participation makes it easily adaptable to situations in which people wish to have a shared stake in the development of common resources.

DSOP (Depositor Share Ownership Plan)

The DSOP idea first emerged in conjunction with a privatization project in Islamabad when the World Bank advised on a privatization strategy for Pakistan's state-owned banking sector. A bank privatization that includes an ESOP/DSOP component could create a positive outcome for everyone involved. The government would be seen as supporting a privatization technique that advances broad-based ownership; banks would gain an opportunity to strengthen both employee and customer loyalty; and the customers would become more knowledgeable up-close capitalists – both as savers and as potential borrowers, secure in the knowledge that their borrowing enhances the earnings of a bank in which they own a stake.

ESOP's- Summing up

Each of these new property paradigms (ESOPs, GESOPs, RESOPs, CSOPs, GSOCs, DSOPs) share a common goal: the transformation of economic relationships in a way that enhances performance and sustainability across a wide range of measures. This transformation requires a combination of financial creativity, committed corporate leadership and sustained political will, along with a populace prepared to embrace change, complexity and risk.

Policy Recommendations

The key to an effective ownership solution lies in achieving a 'critical mass' of encouragement so that prevailing closed systems of finance and incentives (which concentrates ownership) become less attractive than financial techniques and incentives that broaden ownership i.e. ESOP's.

Policy option: Government contracts and licenses should be awarded to those companies that currently have or are considering ESOP's.

Policy options: Development Banks should be encouraged so that disbursements of resources underwrite ownership patterns that are highly participatory.

Policy option: Reengineer tax policies to foster broad-based capital accumulation. Within this area there are a number of option including:

- Tax relief for companies with a minimum threshold of employee ownership
- Increasing access to bank credit to those without collateral for example a lender could be allowed lower income tax rates based on the percentage of its loan portfolio that comprised of loans that expand ownership.

- Governments should consider where appropriate a shift in taxes from labour income to resources in such a way that high intensity resource users are taxed differentially higher than low intensity users (see also p. 22 for a discussion of perverse subsidies).

Policy option: Governments can publicize the nature and role of ESOP's amongst the business community and labour groups. This can take the form of seminars, mailings etc.

Policy option: Encourage ownership orientated financial services. In the same way that agricultural extension departments provide upto date advice to farmers, a government 'financial extension' service could provide education and training on financial matters related to ESOP's and other areas.

E-Commerce: The challenge to developing countries

The potential benefits of e-commerce for the developing world are immense. Any company can enter global markets where size and location have become rather irrelevant. Success in e-commerce will have an immediate impact not only on productivity and profits, but also generate new jobs, employment and livelihoods. Although conditions and costs for market entry have been lowered, obstacles still exist for actors from developing countries. E-commerce will be able to bring about new employment and livelihood opportunities to developing countries. These opportunities arise with the introduction of new products, expanding demand for goods and services, tapping into and creation of new markets, the emergence of new type of services (viz. ISPs or content providers for software or programming in local languages) and related secondary and tertiary effects.

Policy Recommendations

Policy option: Increase awareness

There is currently a lack of awareness and knowledge in developing countries about e-commerce (for an example of an e-commerce public awareness campaign see the case study on Tunisia's experience at the end of this section).

Policy Option: Improve infrastructure and access

One of the major bottlenecks to the expansion of e-commerce to the developing world is the lack of telecommunications and Internet connectivity and access to the necessary hardware and software. Indeed, the gap between industrialised and developing countries in terms of infrastructure and access is huge and growing. The reach and geographic coverage of telephone services, its bandwidth, the cost of telephone services, the national policies governing the telecommunications sector and the number of computers are major determining factors to what extent developing countries and their private sectors can partake in the global push for e-commerce. The impending satellite revolution may well facilitate access and connectivity although it is not yet clear whether the pricing structure for these satellite links will be affordable for actors in the developing world.

Policy Option: Improve human capacity and skills

E-commerce requires a different mix of capacities and skills, which is another major constraint in developing countries. It should become one of the priorities of developing

countries to promote computer literacy and Internet-related skills among the workforce at large and especially among the small and medium size enterprises. This should be complemented by programmes to train and retain skilled IT professionals.

Policy Option: Creation of an enabling legal and regulatory framework

A proper regulatory framework must be in place for e-commerce to prosper. Existing laws and regulations might not be applicable as some of the online services do not exist in the physical world and boundaries between services as well as industries have become blurred.

The online sale of prescription drugs is one example to highlight the problems. WTO has reported that prescription drugs have been illegally sold across national borders on the Internet. If the sellers are located outside the country to which a particular drug was sold, it is almost impossible to assure the integrity of the product, unless the seller is the pharmaceutical company itself. Likewise, liability and compliance with national regulations cannot be enforced.

Another example pertains to regulations governing telecommunications. The Times of India reported that restrictions imposed by the sole Indian Internet service provider, Videsh Sanchar Nigam Ltd, on the number of people to which a single mail item can be sent simultaneously and the absence of software to create and maintain global mailing lists had constrained users. Recently India changed this constrained operating environment by granting licenses to private Internet service providers. E-mail marketing has now become a powerful marketing tool, requiring near negligible investment with a bare minimum of front-end systems.

Policy Option: Encourage involvement of financial institutions and intermediaries

Thus far, financial institutions and banks in developing countries are hesitant to take an active role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and appeal of e-commerce and to help prevent fraud and potential losses due attributable to credit card fraud. But beyond the credit card approach, banks and other financial service intermediaries are challenged to develop alternative modalities for secure and reliable online transactions in environments where credit cards are not common place. This may require the development of smart and/or cash card operations.

Case study: E-Commerce in Tunisia

The information highway is considered in Tunisia as one of the main roads that could improve Tunisia's economy and the Tunisian Government has paid a special attention to electronic commerce and a National Commission for Electronic Commerce was set up in November 1997. Made up of several working groups, the Commission was given the task of establishing an electronic commerce strategy and infrastructure development programmes. The working groups studied the various aspects of electronic commerce (legal, commercial, financial, security, etc).

Two reports that include the Commission's recommendations were submitted to the government in March 1998 and in November 1998.

The commission's recommendations were discussed during a cabinet meeting held in mid May 1999 which announced major decisions aimed at boosting electronic commerce in Tunisia. They included:

- 1) Revision of procedure connected with foreign trade with a view to boosting exports via the Internet network and facilitating the action of electronic commerce operators.
- 2) Launching of pilot projects that will open virtual shopping centers to export tourist products, craft work and agricultural and industrial goods.
- 3) Implementing of "strategy of awareness and training", via periodic seminars and study days on electronic commerce.
- 4) Further developing the national communications network with a view to adapting it to the demands of electronic exchange as regards to speed of data transmission, while simultaneously working to develop transport and express mail services.
- 5) Putting the finishing touches to the legal framework regulating this activity so that Tunisian law will be in tune with new modes of commercial transaction, particularly as regards to legalization of the electronic means of identification (digital signature and certification) and Trusted third parties.
- 6) Creation of a permanent ministerial committee, supported by a technical commission of experts and specialists, to guarantee permanent follow-up of these recommendations and ensure coordination among all stakeholders.

In addition an awareness campaign entitled "Internet Caravans'99" started in September 1999 which will visit all Tunisian governorates. Each visit includes a one day program with Internet and Electronic Commerce seminars and workshops.

While enterprise provides a catalyst for livelihood development it is the surrounding natural resource base which often provides the major inputs into livelihood activities. The linkages between livelihoods, the environment and poverty are explored in the next section.

Section 3: Livelihoods, Poverty and the Environment

The poor in rural and urban areas rely on the environment for their livelihood and survival strategies and are affected by the way others around them use environmental resources. At the same time, because most natural resources are exhaustible or degradable, improved management techniques for environmental resources are needed for populations that continue to grow in both numbers and consumptive habits.

Concern with the state of the environment often seems to pit environmentalists and policy makers against the poor. Unfortunately, the link between poverty and environment is uncritically characterized as a "vicious circle" or a "downward spiral." Population growth and inadequate resources are presumed to lead to the migration of the poor to ever more fragile lands or more hazardous living sites, forcing poor people to overuse environmental resources. In turn, the degradation of these resources further impoverishes them. While this does sometimes happen, as an overarching model it is highly simplistic,

and often leads to policies that either reduce poverty at the expense of the environment or protect the environment at the expense of poor people.

Well-planned actions can break this cycle. Based on experience from around the world, there are "win-win" options that can build better institutions and partnerships with poor people creating more robust livelihoods and healthier environments. These options simultaneously pursue two goals: reduced poverty and better social equity, and enhanced environmental protection. Improved governance is an important vehicle for achieving these goals.

At a recent ministerial forum sponsored by UNDP and the European Commission Ministers of Development Cooperation, Environment, Planning and other related fields met in New York to consider such options. Summarized below are the main issues they considered.

Improving Assets for Win-Win Outcomes

While income and consumption are important, many policy options for addressing poverty-environment interactions focus on improving the **asset base** of the poor. Assets include **natural capital** (forests, water, land, fish, minerals); **social capital** (relationships of trust and reciprocity, groups, networks, customary law); **human capital** (skills, knowledge, beliefs, attitudes, labor ability, and good health); **physical capital** (basic infrastructure); and **financial capital** (monetary resources). With improved access to and control over different types of assets, the poor are better able meet basic needs and to create different livelihood options.

"The poor" may be defined as falling below some standard and, therefore, often are viewed as a single group for the purposes of targeting policies; however, it is important to keep in mind that there are many types of poverty and that the location of poverty also influences policy options. For example, while rural non-farm income is rising in importance, the rural poor are usually heavily dependent upon natural resources. Attacking rural poverty thus requires improving poor people's ability to derive sustenance and income from these natural resources. In urban areas, the health of the poor is particularly affected by a degraded environment, one characterized by sub-standard housing, inadequate or polluted water, lack of sanitation systems, and outdoor and indoor air pollution. Ill health leads to a host of problems, including a decreased ability to work. Improving the urban environment positively impacts the health of the poor; therefore such improvements may well be a prerequisite for other poverty reduction measures.

Poverty is also a set of relations. The poor compete with each other and with the non-poor for control over assets. Poverty can also differ within households. Women and children, especially girls, often have the least access to productive assets, and are usually the most affected by pollution. Efforts to reduce poverty must also recognize this competition for resources and the differential impact of environmental degradation among and within households.

Revising the Understanding of Poverty-Environment Interactions

New experience with different resource management regimes involving the poor is challenging a number of entrenched assumptions about how the poor relate to the environment.

Poverty Does Not Necessarily Lead to Environmental Degradation. The linkages between poverty and the environment are complex and require locally-specific analysis to be understood—there is no simple causal link. In many areas, the non-poor, commercial companies, and state agencies actually cause the majority of environmental damage through land-clearing, agro-chemical use, water appropriation, and pollution. Sometimes privileged groups force the poor onto marginal lands, where, unable to afford conservation and regeneration measures, their land use practices further damage an already degraded environment. But there are also many examples in which very poor people take care of the environment and invest in improving it. Thus, poverty can sometimes be associated with environmental degradation, but there is not necessarily a direct causal relationship

Population Growth Does Not Necessarily Lead to Environmental Degradation. While initially degradation may occur as population increases, what happens next is context-specific. Where people are too poor to invest now or too poor to wait for the fruits of their investment, further degradation can occur. In other cases, as the cost of land relative to labor increases past a certain point, farmers can change their methods of managing plants and animals or make investment in the land to offset initial declines in productivity from more intensive use. In urban areas, some empirical evidence shows that good urban governance can maintain the environment even as cities grow. Thus, halting population growth or removing people from densely settled areas might improve neither productivity nor resource quality.

Resource Characteristics and Community-Based Action

Developing effective community-based institutions for the collective management of resources is a key factor in determining the success of efforts designed to aid the poor. However, the characteristics of the resource have important implications for building local management institutions. In general, institutional costs tend to be high for managing resources that are: mobile (water, wild fish, game etc.) dispersed or vast; slow growing or fragile; difficult to patrol or monitor; difficult to observe or measure; technically complex; accessed by many people or heterogeneous groups; or highly skewed in their distribution among stakeholders. Conversely, the institutional or organizational cost of collective action tends to be lower when: the resource-to-user ratio is high; a common cause creates cohesion; the group is relatively homogeneous and isolated from disruptive external pressures; and access rights to the resource are secure. Well-conceived policy and strategic investment from the State can help reduce high organizational costs. But in all cases, the benefits of organizing must outweigh the costs

of maintaining the organization. Efforts that fail to address the institutional issues consistently under-perform, no matter who manages them.

Policy Recommendations

Policy makers can be constrained by certain global forces. For example, structural adjustment programs may limit the ability to provide subsidies for the poor. Macroeconomic reform can help a country become more competitive, but investing in the fastest growing sectors can draw resources away from long-term investment in the resources of the poor. Changing global markets can exert downward pressures on living standards, and in some countries have obliged many poor people to increase their pressure on natural resources just to survive. Countries may be tempted to overexploit natural resources to handle balance of payments problems. And sometimes new and distant markets can encourage the depletion of local resources to the detriment of the poor.

But much can be done through sound national policy. Policies that support both enhanced livelihoods for the poor and more sustainable management of environmental resources—the win-win scenario—depend on the nature of the resource and the groups involved. Policies that are win-win for the environment and the poor can also mean the non-poor must forfeit some resources or prerequisite, and this requires political will. In general, however, there are several categories of win-win policy options that can be pursued. Many promising experiments are still young and have yet to face second-generation challenges. Still, enough research has been done and enough experience has been accumulated to suggest a few general principles and some concrete ways forward.

Policy Option: Protect the Assets of the Poor

In many cases the poor have the right to manage key environmental resources, but they are not able to protect their rights. Large farmers may take excess irrigation water; trawlers may scour the fishing grounds of coastal villages; companies may obtain concessions to tribal forests; and municipal funds meant for improvements in poor areas may be siphoned off for other projects. Industrial pollution of rural resources by both large and small enterprises is a major cause of environmental degradation and rural poverty in some areas. The state often does not have the resources to monitor in a timely and effective manner the remote and dispersed resources that the poor depend upon. Corruption, incompetence, and indifference can also deprive the poor of the rights they already theoretically enjoy.

The key to protecting the poor from these abuses is encouraging the development of democratic governance systems from local levels upward. The State needs to support representation by institutions accountable to the people so that monitoring of action and enforcement of rights can take place at all levels. Citizen oversight boards, community-level review processes for State-initiated development plans, and ombudsman systems for dispute resolution are examples of such mechanisms. It is also important to strengthen the judicial system as an impartial and independent institution, and to foster the emergence of institutions of civil society that can mediate between different actors.

Policy Option: Improve the Access of the Poor to Resources

A highly unequal distribution of assets often depresses subsequent rates of growth. Reducing income inequality tends to increase aggregate growth and further reduce poverty indirectly. Improving the access of the poor to natural resources and the productivity of those resources not only addresses directly the equity issue, but also provides new markets for other goods and services, thereby stimulating the economy as a whole.

Policy should focus on "environmental entitlements," which includes the broad set of social structures and networks that allow poor people access to a healthy environment and resources for sustainable livelihoods. This often involves turning resources over to the poor as individuals or to organizations composed of the poor.

Where land distribution is highly skewed, land reform can be one option. Because agricultural productivity and investments in agriculture per unit area are negatively correlated with the size of holdings, conducting land reform can increase both production and encourage environmental improvement. Another possibility is regulatory reform, including provisions of rental, lease or harvest (gleaning) agreements for both private and public lands. These can include longer-term rental contracts, explicit agreements about the distribution of benefits from resource improvements, or the granting of formal tenure rights to individuals or groups currently squatting on public lands or in urban areas, so that they can legitimately seek technical assistance, credit and other services and have incentives for conservation.

Historically, governments have had a difficult time with centrally managing dispersed resources in which local people also have a stake. Turnover of the resource to local groups can be one solution. Granting rights to groups involves establishing or strengthening local people's institutions. Where only State or private ownership is allowed by law, legal change may be necessary to accommodate multi-user tenure. Any program to assign rights to resources should be checked for overt or implicit barriers to women [and the poor] obtaining rights, in both design and implementation. For example, modifications in local property rights that accommodate common property management have been key elements in African "success stories" for land reclamation, forest management, local fisheries management, small-scale irrigation, resource protection, range management, and wetland cultivation.

Awarding resources to poor people sometimes can lead to environmental degradation, especially if their tenurial rights to the resource are not secure. But in numerous other cases, it has been shown that improving poor people's control over the environment provides a powerful incentive for them to protect the environment. But it is important to understand the local context and to promote equitable local organization. Resources that have been devolved to local levels for community management can be differentially

captured by local elite's, unless the state plays appropriate monitoring and enforcement roles.

Successful examples of turning over water rights to landless people or to local groups of farmers have been recorded, especially in Asia. In a number of cases, governments have turned over the rights to the forests to local groups, as in Nepal, which has led to both greater environmental benefits and more income for poor people. These efforts have been most successful when the new arrangements have built upon the management systems communities were already practicing. Ownership of resources can be fostered through the availability of locally based finance and credit schemes or through selective investments in the resource base at the time of turnover.

In urban areas one of the key resources that can be awarded to the poor is the right to occupy the land they live on. Many urban poor live in illegal squatter villages where they are systematically denied access to municipal services. In such cases, poor people can benefit from more secure tenure to the land on which they build their houses. This not only permits public utilities to be extended and upgraded in their area, but also encourages the poor to make investments in their housing and surroundings.

The question can arise as to whether people have the technical knowledge to manage a resource well. When people move into new settings or when conditions change, then a period of learning and adaptation is needed. The poor may not always be immediately aware of the effects of gradual and sometimes imperceptible degradation. In general, however, evidence shows that the poor have an enormous store of indigenous technical knowledge and a body of customary law that provides a social platform for collective action. Scientists and extension workers have discovered that many indigenous technologies and management practices are suitable for dissemination or as the basis for improvements. These technologies and local organizational forms have already been ground-tested by people. Extra effort is needed on the part of government agencies to understand and appreciate this important body of local knowledge. For example, customary rights are location specific and highly dependent on negotiated solutions, and unless care is taken, poor groups and women can lose out as a result of policies and processes to formalize these relations into forms recognizable by the State.

Policy Option: Co-Manage Resources with the Poor

When a resource has multiple stakeholders with conflicting objectives and differential power, the government may wish to work out co-management arrangements. The government seeks to strengthen local organization, but also to provide technical assistance and to mediate the overlapping and conflicting claims on the resource. This approach is favored by governments as it enables them to continue to exercise a regulatory role (important where there are environmental externalities associated with the use of the resource), and to retain control over components of the resource of direct value to the State. Typically, successful co-management partnerships give local people specific control over the output in return for involvement in decision making and various duties related to the protection of the resource.

Co-management responses are more successful than complete turnover when the capacity to manage at the community level have become eroded or broken. But transaction costs associated with organizing fragmented communities to take on responsibilities within co-management systems require intensive and sustained involvement by external bodies. It is especially important to make sure that the poorest users of the resource are not excluded under the new arrangements.

The challenge in co-management efforts is to reconcile poor peoples' needs and environmental enhancement goals, and to channel the returns to those who carry the costs. Positive examples of forest co-management systems can be found in the Joint Forest Management program in India, and in the game park management efforts for the Campfire program in Zimbabwe. Co-management programs in forestry have been most successful in villages bordering extensive tracts of degraded forests, where the forest-to-household ratio is relatively high, where ethnically homogeneous communities possess forestry knowledge, and when benefits accrue from minor forest products at a relatively early stage. Joint management has also been successful in the mangrove areas when the protection against flooding and erosion from improved management directly and immediately benefits local people.

For some large-scale or technically complex systems, the State may have some comparative advantage in management. Water supply and sanitation systems, large irrigation systems, and power generation facilities, for example, all require specialized personnel. But while in many cases these personnel work for the state, better mechanisms of accountability can be set up so that they are more responsible to the people they serve. Efforts toward co-management can include setting up citizen oversight boards, linking salary adjustments to user evaluated performance, or actually putting the technical staff in the employ of the user group.

Policy Option: Co-Invest with the Poor

In other cases, transfer of ownership or management authority is not the issue. Instead the State co-invests with the poor on the lands they already own. Co-investment with local communities or farmer organizations may be used to mobilize longer-term investments, such as soil conservation or improvement, irrigation and drainage infrastructure, grazing land rehabilitation, land-leveling, or micro-watershed revegetation. Notable examples of this can be seen in government programs to assist hill irrigation systems in Nepal and Bhutan, the *irigasi desa* programs in Indonesia, and various tank rehabilitation and micro-watershed improvement programs in India. In some projects, the villagers themselves contribute up to 90% of the value of the investments. Keys to the success of these systems are that farmers retain control of the authority and responsibility to manage their resources, and that investment from the State catalyzes the mobilization of additional resources from the farmers themselves.

In both rural and urban areas, improving access to better water supply, sanitation, and energy services is critical for reducing the health effects associated with indoor cooking smoke and poor hygiene, and for reducing the illiteracy often found in houses with poor

lighting. But the poor often face high initial costs in the form connection fees, the cost of LPG canisters, or other one-time costs. The government can help improve the access of the poor to municipal services and modern energy technologies by subsidizing initial costs or by developing innovative financing mechanisms. Expanding the market for advanced technologies (for instance, household lighting systems using photovoltaic technology or efficient biomass or LPG stoves) for the poor will also help bring down unit costs. Subsidies may be used in the earliest phase of the program to generate interest and wide participation in unfamiliar technologies, but subsidies beyond management costs are neither necessary nor desirable. The poor can usually pay the monthly costs of electricity, gas, and water—indeed, they usually already pay more for poorer quality—but the primary obstacle can be the high initial costs associated with better quality services.

Policy Option: Employ the Poor

Some macro-environmental improvements, like watershed protection or nature reserves, are public goods whose benefits accrue only partially to poor local people. Many of these activities are labor-intensive, and offer an opportunity for public and private-sector organizations to provide paid employment to the poor. Longer-term livelihood opportunities for the poor may be integrated into plans for environmental management, such as hiring the poor or landless as guards in community and national parks, forests, and biodiversity reserves; hiring the poor to establish and protect wildlife corridors in agricultural regions; or for local water quality monitoring.

Employment of the poor for large-scale resource improvements may be financed through municipal governments, which, for example, may be concerned to protect water resources, or through temporary public works programs intended for relief or employment generation.

Direct employment projects appear most likely to be successful where there are well-established supervisory organizations, reliable funding arrangements, and where the people hired—and who will be using the resources over the long term—are involved in the process of the design and selection of interventions.

Policy Option: Compensate the Poor.

In some cases, the rural poor may have few economic incentives to manage their natural resources more sustainably, but other groups have an abiding economic or environmental stake in maintaining or improving the resource. Here, it may be possible for governments or other institutions to develop mechanisms for them to be compensated for the costs incurred in changing their management or use of resources.

Examples of compensating the poor include systems to pay local farmers to control agricultural burning to achieve national or international carbon emission or air quality targets or various tradable rights systems. Municipal water companies may be able to reduce the cost of acquiring water by paying farmers to use water-conserving practices. Municipal authorities may also invest in watershed improvement to reduce erosion into reservoirs supplying urban areas.

Policy Option: Support Infrastructure Development for the Poor

People living in poor rural areas can benefit from State-financed or subsidized improvements such as rural electrification, feeder roads, irrigation development and long-term investments. It is important, however, to develop or work with local organizations to collaborate with the government on planning these investments, so that the cost of subsequent routine maintenance is largely carried by the users.

In urban areas, poor people suffer greatly from air pollution caused by inefficient transportation systems. Since transport is one of the fastest growing sectors of energy use in the developing world, and mobility is linked to access to jobs, the planning of efficient land-use patterns and transport corridors in urban areas will have significant long-term implications for both energy and poverty. Clean fuels and efficient public transportation systems can reduce pollution in urban areas, improving health dramatically. Zoning reform that allows the poor to live closer to the areas in which they work also can reduce pollution and the cost of transportation to the poor. Improved telecommunication systems have had the proven effect of cutting down on trips meant mainly to seek information.

Many accidental injuries, fires, and health problems are linked to poor quality, overcrowded housing. Governments can improve the condition of housing for the poor, both through direct investments in construction and allied infrastructure, as well as through indirect means like credit provision and improving tenure rights on the land.

Strengthening the capacity of city and municipal governments to address the lack of sewers, drains, piped water supplies, garbage collection and health services is also a precondition for building the national institutional capacity to address air and water pollution, protect natural resources and reduce greenhouse gas emissions. Cities such as Ilo in Peru and Manizales in Colombia have developed local Agenda 21 plans that have brought major benefits for low-income people. Through more democratic local government, Porto Alegre in Brazil has provided nearly all its inhabitants with piped water, regular garbage collection and reasonable sanitation facilities. In these examples, innovative city government has been the driving force. In other cases NGOs have been able to play strong stimulating and intermediary roles in urban improvement efforts.

Policy Option: Develop Technologies that Benefits the Poor

Developing technologies and resource management systems that raise overall productivity and protect or improve the environment requires a conscious reallocation of research funds away from the most favored environments and toward the resources upon which the poor depend most—fragile and rainfed lands, livestock development, agroforestry systems, and subsistence crops. Technologies need to be tailored for use on specific soil types and climates, requiring a heavy investment in on-farm adaptive research. New institutional strategies are needed to reduce the cost of this research, by linking extension efforts and people's organizations.

In the energy sector, most countries have a regulatory environment that does not promote the adoption of innovative technologies and approaches and instead favors conventional energy supply options. Policies must be designed to improve the access to energy services for poor people, with incentives offered to private power developers to make use of the best-suited technology options. In some cases, where grid access is convenient and cost-effective, flat rate, yet low cost, billing can overcome costly metering. Similarly, many conventional problems of theft can be avoided by encouraging local, self-governing institutions to manage distribution of energy services, for instance, through bulk sales to co-operatives.

To improve the health of the poor and reduce stress on the environment, innovation in sanitation and water treatment that does not use chemicals is required. Technical innovation (and changes in regulations) could better enable human excreta to be recycled for both urban and rural agriculture. Ecological sanitation would prevent disease, conserve and protect water sources, and recover and recycle nutrients in a non-polluting way.

Policy Option: Intervene to Overcome the Deficiencies of the Market

Market forces may lead to efficient allocation of resources when maximizing short-term return is the goal. However, markets are not always environmentally friendly, and not always supportive of poor people. In many cases, markets barely reach poor and isolated communities. In other cases, integration of poor areas into national or international economies, or the popularization of products that were formerly consumed only locally, can create demand that outstrips sustainable supply. Resources that had been used only for local consumption can be suddenly over-exploited as markets increase, as happened in the case of the shrimp industry in Southeast Asia.

Trade for industrial or niche exports markets often expose rural households to high levels of risk, particularly where the trade has encouraged people to move away from more diversified and less risky agriculture-based livelihoods. When the government promotes a certain market, it must also avoid playing the middleman by obliging farmers to sell to government marketing bodies, or to traders to whom concessions have been granted, or to compete in the same market from State-owned enterprises, many of whom receive various forms of subsidies.

Market development should be gradual and accompanied by efforts to help the poor adapt their institutions to new conditions. When government promotes products for industry, while the poor give priority to products that help meet subsistence and protection needs, market inefficiencies can appear and the poor can be vulnerable when any subsidies are removed. For example, growing trees as cash crops has proved to be appropriate primarily for those who had other land for food or cash crops, or those who had off-farm income, not for the very poor.

Policy Option: Develop Insurance Systems for the Poor

Insurance systems need to be developed for the poor—cash payments, in-kind provisions, or public works employment—so that during periods of drought, major crop failure, or

natural disaster they can provide for subsistence needs without over-exploiting natural resources. A corollary to this would be to establish formal arrangements for (limited) access to critical environmental resources for the increasing numbers of temporary migrants (e.g., from drought or disasters) and refugees, to limit local over-exploitation and conflict. Regular programs in which the poor are put to work improving the environment can be expanded during crisis times to provide a measure of insurance for those most affected.

Policy Option: Eliminate Subsidies for the Non-Poor

Finally, many non-poor receive substantial subsidies from the State. Removing these subsidies can be a source of funds for investment in the resources needed by the poor. For example, many governments give farmers in large-scale government-managed systems free or heavily subsidized water. Charging rates that more closely approximate the market price of water in many countries would generate millions of dollars of revenue and would lead to more efficient use of water.

Many countries set import duties and taxes very high for energy technology and equipment, including those that are very energy efficient, but offer subsidies to conventional energy, often to appease particular industry or agricultural lobbies. Thus, many efficient energy technologies that could improve energy services and benefit the are placed out of reach to poorer households.

Furthermore, most prices for conventional energies do not reflect social and environmental externalities. Subsidies are often associated with poor service, such as frequent voltage fluctuations, because energy suppliers find it difficult to generate enough revenue to maintain their equipment properly. If combined with appropriate financing schemes, end-users may be quite willing to use more efficient devices and also pay higher prices in exchange for assured quality of energy services that will lower their total energy consumption. The urban poor often pay more per unit for energy services and water than the non-poor, so reducing subsidies for the non-poor and extending higher quality services to the poor can be financially feasible.

Policy Option: Reform Planning Procedures

Community-based ecosystem planning can help move from ecological poverty to ecosystem health through natural resource regeneration and maintenance of biodiversity, both on land and in aquatic environments. By linking urban biodegradable waste to agriculture and recycling nutrients, food production can increase, and degraded lands can be reclaimed. An urban policy framework can be comprehensive and eco-friendly if it integrates environmental concerns with natural resource management and problems of other sectors (e.g., agriculture and forestry). This requires better understanding of water and nutrient cycles as they pass through communities and households, and a good inventory of the current natural resource base. It also requires a better understanding of resource uses and users, i.e. who has which and who has access to and control over resources. The different uses and knowledge of the ecosystem of women and men need also to be taken into account.

Planning reform also needs a vision across time, and involves bringing in different groups of poor people in longer-term land use planning efforts to ensure that both their existing use patterns and future needs can be met. Environmental enhancement and poverty eradication strategies also urgently need a spatial vision, so that the solutions for urban-related problems do not cause rural-related problems, and vice versa.

Policy Option: Co-ordinate donor policy and action

International agencies must coordinate their development policies and actions to ensure that developing countries are not forced to deal with conflicting donor requirements nor with demands that seem counter to progressive national development policy. For example, action by one donor that provides funds for infrastructure development by a community run cooperative in order to employ and support the poor will be difficult if another donor insists that government contracts be competitively tendered out to private contractors.

Although this section has focused on livelihoods and the environment the concept of sustainable livelihood goes beyond sustainable natural resource management. One of the strengths of the sustainable livelihood approach is that its core principles can be applied to any thematic sector. The value added to this approach is that it encourages policymakers use a holistic lens to view issues, which were often previously examined in a development 'niche'. The next section demonstrates how the sustainable livelihoods approach can be used to broaden the policy debate in the development of policies that promote sustainable youth livelihoods.

Section 4: Promoting Sustainable Youth Livelihoods

The interest of the United Nations in the specific question of youth dates back more than a quarter of a century. As early as 1965, the United Nations General Assembly adopted the declaration on the Promotion Among Youth of the Ideal of Peace, Mutual Respect and Understanding Between People. In the following years the UN expanded its work in this concern emphasising the questions of youth participation, peace and development. In 1985 the UN General Assembly called for the observance of International Youth Year: Participation, Development, Peace which drew international attention to the important role young people play in the world, and, in particular, their potential contribution to development and the goals of the United Nations Charter. Ten years later the General Assembly adopted an international strategy—the World Programme of Action for Youth to the Year 2000 and Beyond. This World Programme focused in particular on measures to strengthen national capacities regarding youth and to increase the quality and quantity of opportunities available to young people for their full participation in society. Policy development for sustainable youth livelihoods outlined in this paper complements and builds on the principles outlined by the UN General Assembly.

Currently there are about one billion people between the ages of 15 and 24 years, the WHO definition of youth. Most young people—about 85 per cent—live in developing countries with 60 per cent in Asia. The annual growth rates of youth population have slowed down in every region during the 1990s, according to United Nations statistics. Developed regions, and Eastern Asia—comprising China, Japan and others—suffered a

negative growth rate. As a proportion of total population between 1980 and 1995, the number of young people has dropped everywhere except Africa. In industrialized countries and East Asia, declining fertility rates have created aging populations, and social and economic policies are sometimes tilted in their favour. At the same time, by virtue of their numbers, the limited economic opportunities and high levels of unskilled youth, poverty is gradually becoming a youth phenomenon. This in turn is creating a downward spiral of inter-generational poverty. Demographic, cultural, social and economic factors associated with those living in poverty often combine to present young men and women with significant challenges in establishing a sustainable livelihood. The exact circumstances facing youth around the world obviously varies widely. However, there are many common constraints, opportunities and assets shared by youth.

As a group young men and women are often marginalised in society, which results in limited access to resources including kinship networks, education, land & technology; and little or no interaction with formal institutions. These challenges are not unique to youth. However, evidence indicates that youth are affected in a disproportionate manner. Young women are particularly affected. Their cultural and social position, and lack of skills, knowledge and institutional support often makes them vulnerable to prostitution, early wedlock and child-bearing, HIV/AIDS and abuse during civil conflicts which further limits their choices later in life. But global productivity and security will hinge on developing their full potential and engaging them not only as beneficiaries, but also as participants and problem-solvers.

Traditional youth development programmes have tended to focus on youth as a separate development 'niche'. This approach overlooks the fact that youth livelihood systems are inherently interconnected to the surrounding social, financial and ecological environment especially as members of households in a given community. Examples of this are programmes that provide vocational training to youths who then face the prospect of looking for work in weak economic environments where there are little or no formal job opportunities. Past programmes that have concentrated on employment generation for youth have essentially failed to recognize the complex and diverse nature of youth livelihood systems. Conceptually, employment can be viewed as just the activities within a livelihood system, the others being assets and entitlements.

The reality is that youth livelihood systems comprise a complex and diverse set of economic, social and physical strategies. These strategies are realized through the activities, assets and entitlements by which individuals make a living. Sustainable livelihoods are derived from youth's capacities to exercise choice, and to access opportunities and resources, and use them for their livelihoods in ways that do not foreclose options for others to make their living, either now, or in the future. Given the complex nature of youth livelihoods it is clear that policy interventions that focus narrowly on providing jobs for youth will rarely be sustainable as they fail to take into account the holistic nature of youth livelihood systems. It should also be noted that failures such as these are often present in programmes targeting adults. The concept of the sustainable livelihood approach presented here is equally applicable to both youth and

adults. In adopting a more holistic approach it will be important to look at the overlap between these groups in programme work.

Today's policy response requires some fundamental shifts in the way policy makers view the challenge of providing jobs for young people. A sustainable livelihoods approach provides a methodology for policy makers that recognizes, and takes advantage of, the complex nature of youth livelihood systems. The goal of policy should be to support existing and develop new livelihood systems for youth. The SL approach incorporates a set of four core principles that can be used to make policy more responsive to young people's own interpretations of and priorities for their livelihoods. These core principles guide policy makers to focus on:

- youth assets and strengths;
- entitlements;
- macro- micro linkages;
- the holistic nature of livelihood systems; and
- the sustainability of policy outcomes (here sustainability implies ecological integrity, social equity, economic efficiency and the ability to withstand outside shocks and stresses.

Each of these principles and their policy implications are discussed below.

Youth assets and strengths

The SL approach starts with an analysis of youth strengths, as opposed to needs. This recognizes the inherent potential of youth, which is based upon their access to assets and their coping and adaptive strategies developed to deal with outside shocks and stresses. (It also recognizes that a focus on strengths is more empowering for youth than one on weakness). Assets, in this particular context, are defined as not only natural (i.e., land, water, common-property resources, flora, fauna), but also social (i.e., community, family, social networks), human (i.e., knowledge, creation by skills), and physical (i.e., roads, markets, clinics, schools, bridges). A focus on these assets will broaden policy making so that instead of looking at youth in an enclave it is now conceptually easier to see that youth livelihoods are inherently connected to and crucially depend on their households and the surrounding environment. In this case policy should aim to improve youth access to assets and to build on and support existing youth coping and adaptive strategies. It should also be recognised that in many cases young men have better access to resources than young women. This will require that policy makers identify the obstacles that youth face in accessing assets and the development of appropriate policy to overcome these.

Entitlements

Entitlements refer to human rights, which include economic, social, cultural and political rights, all of which are interdependent and recognised by the international community. The sustainable livelihood approach first tries to identify the constraints that prevent youth realising these entitlements and secondly attempts to overcome these constraints through empowering youth and eliminating discrimination. The primary focus is on the

linkages between government, civil society and youth with the aim being to increase the accountability of public institutions.

Macro micro linkages

The SL approach recognises the importance of macro level institutions and policy on youth livelihoods at the micro level. Policy should aim to bridge the gap between the macro and micro levels. It is equally important that policy formulation at the macro level be based upon the micro realities faced by youth. Although local youth issues relevant to policy making will be cross sectoral and complex, policy tends to be simplified and set within sectoral government ministries or multi lateral departments. This conflict needs to be dealt with to ensure effective participatory policy making.

Holistic

To make policy more effective, policy makers need to be aware of the cross-sectoral and multi disciplinary nature of youth livelihoods. In this way the SL approach provides a way to understand what shapes people livelihoods and how the various influencing factors can be adjusted so that, taken together, they produce a more beneficial livelihood outcome. One of the major challenges in policy development is reconciling the fact that sectoral government line ministries will have to develop and implement cross-sectoral and multi- disciplinary policy.

Sustainability

In order for policy to be sustainable it is necessary to recognise that sustainability has many dimensions. The sustainability of livelihoods is a function of how men and women utilize asset portfolios on both a short and long-term basis. Sustainability should be defined in a broad manner and implies:

- The ability to cope with and recover from shocks and stresses;
- Economic efficiency, or the use of minimal inputs to generate a given amount of outputs;
- Ecological integrity, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and,
- Social equity- the promotion of livelihood opportunities for one group should not foreclose options for other groups, either now or in the future.

Such a broad definition of sustainability provides policy makers with a broad range of policy options. However with diversity come policy trade offs. Common trade offs include tension between local livelihood needs and wider concerns about environmental sustainability, maximizing returns to livelihood systems in the short run while guarding against shocks and stresses in the longer run, and developing youth livelihood systems without compromising livelihood opportunities to others in the community.

Policy Recommendations

The policy objective is the formulation and adoption of an integrated national youth policy that supports and develops youth livelihoods. This should be done as part of a

continuing process of review and assessment of the situation of youth, formulation of a cross-sectoral national youth programme of action in terms of specific, time-bound objectives and a systematic evaluation of progress achieved and obstacles encountered. NHDR's that focus on youth livelihoods and embrace the following policy options will provide an important step forward.

Policy Option: To develop effective policy that builds on youth assets and strengths. The following action points are recommended:

- In order to identify the assets of youth in a particular country policy makers will require data on the current state of youth livelihoods. These can come from a variety of sources including as already mentioned UNDP National Human Development Reports focusing on youth. An initial priority is the strengthening and improving of national capacities for the research, design, conduct and dissemination of relevant studies on the situation of young people must be a priority. The latter can be facilitated through strengthening the linkages between stakeholders (see table 1 below). In many countries data on youth livelihoods will be sparse in this case it will be necessary for participatory assessments of the risks, assets, entitlements and indigenous knowledge base of youth in representative communities. Assets, in this particular context, are defined as not only natural (i.e., land, water, common-property resources, flora, fauna), but also social (i.e., community, family, social networks), human (i.e., knowledge, creation by skills), and physical (i.e., roads, markets, clinics, schools, bridges). These are usually manifested in the coping and adaptive strategies pursued by youth. Coping strategies are often a short-term response to a specific shock such as street violence or drugs. On the other hand, adaptive strategies entail a long-term change in behaviour patterns as a result of a shock or stress. Both have implications on the composition of the assets (i.e., depletion, regeneration) from which they are derived. UNDP is able to share with member countries expertise in sustainable livelihoods tools and methodology that can be used for such participatory assessments.
- An effective policy intervention that builds on the dynamism of youth would be to focus on the development of youth enterprise and entrepreneurial capabilities. The latter are particularly important for the majority of young people who are operating outside formal economic and learning institutions. Enterprise capabilities are attitudes and behaviours that allow a person to adapt to changing circumstances by taking control and initiative. Examples include self-determination and initiative, focussed decision-making, creativity, foresight and strategic thinking, resilience, conflict resolution, marketing and management. These capabilities applied to business formation and expansion are called "entrepreneurism" whereas enterprise skills may be applied to a wide variety of other life circumstances, including coping with and adapting to conditions of poverty and making decisions regarding health and well-being.
- Governments can establish formal or semi-formal mechanisms to assist participatory policy. For example, through the setting up of youth policy implementation units.

These units are typically attached to ministries. Their job is to work in a collaborative way across ministries to promote participation in youth decision-making within the government, and then to reach outside that arena to get input from other sources.

Policy Option: To develop effective policy that ensures youth entitlements (economic, political, social and cultural). The following action points are recommended:

It is important to define the roles of the various governance institutions responsible for respecting, protecting and promoting youth entitlements. These include government, civil society organizations, schools, youth organizations, youth advocacy groups and the media—all these groups play a crucial role in monitoring, protecting and promoting youth entitlements. Defining roles will require close cooperation and the building of links between all relevant institutions this is discussed next.

Policy Option To develop effective policy that strengthens macro micro linkages. The following action points are recommended:

For a youth strategy to be to be effective, good links need to be established between all the stakeholders involved in its development. These links will allow for the exchange of ideas and capture the cross sectoral nature of youth livelihoods by bringing together key stakeholders from different. The major stakeholders include the youth community, non-governmental organizations, provincial, national and international research institutes and government organizations. There are a number of institutional obstacles, which exist between stakeholders that will need to be overcome in order to improve linkages. Although the extent and type of obstacles will vary according to the country and region, common obstacles and appropriate action are listed in the table below:

Improving linkages between stakeholders

Obstacle: Cultural and institutional barriers restricting effective participation by youth in the development of a strategy for youth development.

Actions: Ensure youth community participation in the design of research projects. Participatory policy making is a Process, not an Event. Participation makes it necessary to be responsive to a range of interests that may or may not have been fully understood at the outset. As a practical matter, this suggests the desirability of phased programs, rolling designs, and flexibility.

Arrange for youth representation in strategy development meetings held at the district, provincial, and national level.

Feedback from outside stakeholders to the youth community should be presented so that information is readily accessible and understandable e.g.: posters, flip charts, practical demonstrations, comics.

Obstacle: Negative stereotypes, especially between NGO's and GO's and between youth groups and GO's.

Actions: Strategy development meetings held between stakeholders can be facilitated by neutral third parties.

Encourage familiarity; ensure that when stakeholders visit each other (i.e.: in the community villages, NGO offices, government offices etc.) a significant amount of time is set aside- discourage 'in and out' morning or afternoon only visits.

Obstacle: The problem of sectoral institutions working together to develop a cross sectoral strategy for sustainable youth livelihoods.

Actions: A youth unit or at the very least youth focal point should be established in all line ministries to help in the coordination, development and dissemination of youth policy.

All stakeholders involved in policy development must be aware of the cross sectoral nature of youth livelihoods. UNDP programme experience from has shown that differences between ministries are somewhat diminished at the district level, such cooperation needs to be replicated 'upstream'.

Section 5: Turning Policy into Action

Combining efforts to support livelihoods while enhancing the asset base on which livelihoods depend requires first and foremost the political will to eradicate poverty. While many policies will be win-win, not all can be. The search for win-win situations should not divert the State from also making selected other choices in favor of supporting livelihoods, some of which will require the conscious reallocation of resources from richer groups to the poor. The more governments invest resources in the poor and the environments upon which they depend, the more they build political capital that can make such reallocations easier in the future.

Conceptual Shifts

To achieve a new method of working, government agencies—and sometimes NGOs as well—must undertake to make a number of conceptual shifts. Building partnerships with local communities is a new endeavor for many agencies, and one that requires not only good will, but also a commitment to experimentation and fine-tuning solutions. In brief, a few of the conceptual shifts government must make include the following:

- A sustainable livelihoods approach requires a shift from the policy objective of providing for the poor to one of creating or strengthening their capacity to act for themselves. This requires building the capacity of the poor to take control over their own lives. The implication for the state is the creation of political space in which self empowerment can occur.

- Value the poor as the solution; do not see them as the problem; use a people-centered framework
- The evidence presented in this paper suggests that people do have considerable intellectual and other resources to invest in the solution of problems; that they do innovate; and that they must be part of the solution. Working with people makes it an effort that is owned by both sides.
- Due to the erratic nature of foreign investment the focus should be on mobilising domestic resources for investment into those sectors such as health and education that are central to supporting livelihood systems.
- Engage poor people as partners not beneficiaries
- Partnership requires sharing of rights and responsibilities. This concept moves away from the common situation where governments dispensing aid in a charity-type mode. The planning and organization states of building partnerships take longer, but the benefits should last longer as well.
- Government creates incentives for the poor to mobilize resources, and moves away from just exhorting the poor to mobilize resources. Here the government can use its resources to catalyze investment from the people in new arrangements. Governments can create enabling situations, provide matching funds or other incentives to catalyze co-funding from the poor. It is, however, essential for the poor to be involved in the planning of all activities.
- Government helps catalyze the formation of people's organizations, and moves away from creating organizations by government fiat. New management arrangements require new institutions. Many of these require new forms of people-managed organizations, such as water user groups, forest protection committees, electricity cooperatives, sanitation districts, etc. However, merely creating institutions by fiat has been a recipe for frustration in the past. Again, the government needs to provide a flexible enough legal platform to stimulate the emergence of these institutions, and sufficient patience to work through their gradual development. Creating institutions by fiat has been a recipe for frustration in the past.
- Government gives the poor real ownership, not just sense of ownership. People cannot be fooled by efforts to give them "sense of ownership" if it is not backed up by real ownership. Transferring greater responsibilities to people can only succeed if it is balanced by greater rights. Often, this involves legal change, as well as new operational guidelines.
- Realize that some policies to improve the environment and attack poverty include actions that redirect some resources away from the wealthier

- Working with the poor can achieve much, but it may not be able to achieve all the poverty and environment objectives without some reallocation of resources away from the non-poor. This does not require embracing a Utopian vision of absolute equality, but it does require a shift toward thinking that equity does matter.

If governments take steps to make these conceptual shifts, poor people will be more inclined to make a conceptual shift toward viewing the government as a viable partner in development.

Cross-cutting Operational Principles

Gender in sustainable Livelihoods

Economic, political, socio-cultural and legal factors frame the policy context and affect the livelihoods of men and women. Customary and statutory laws which are often gender divisive include property rights and ownership, laws of inheritance, family laws which address minimum age for marriage. Citizenship and labour laws are also gendered. In all these areas, gender issues are interwoven with those of class, race and ethnicity, and physical ability. At the same time women are often given uneven access to economic opportunities, this raises macro level concerns such as leveling the playing field on which economic goods are transacted. It means, at the macro level, influencing the market and redefining the terms on which reproductive labour is supplied. At the micro level, it means improving the confidence levels of women and men and recognizing and rewarding more egalitarian practices.

Policy goals should express a concern to eradicate barriers to gender inequality, recognizing that the costs of inequality detract from realizing the fullest human capability. This cost will be borne by society as a whole. At the same time given uneven access by women to economic opportunities, policy should focus on macro level concerns such as leveling the playing field on which economic goods are transacted.

Governance arrangements for sustainable livelihoods.

It is also important to acknowledge that governance in the context of SL means working both at macro and micro levels. The sustainable livelihood approach aims to empower local communities so that they feel enabled to act themselves to influence and change governance arrangements. Crucial to this process is the effective interaction between local government and community-based organisations. In this situation the role of NGO's changes from one of providing services to that of helping to build capacity for such interaction to take place.

Prioritize investments in Neglected Areas. While the record of development efforts to improve conditions in risk-prone regions or in spatial poverty traps is mixed, community-based approaches are showing promise in many regions. Reinvesting in neglected areas requires a change in government and donor policies so that these areas begin to be treated as potential contributors to national product and well-being, and not just as the target of welfare transfers. Accomplishing this requires improved access to productive assets to the poor, as well as institutional changes that reverse the bias of governmental institutions against small producers and indigenous populations. In addition, given the magnitude of

land degradation and the scarcity of productive land in many neglected areas, basic infrastructure development and other activities that foster the creation of off-farm productive employment and income opportunities for the rural poor is crucial.

Work Across Sectors. People do not look at resources in a disaggregated way, they have no "sectors." The poor rely on access to and control over a diverse set of resources for their livelihood. Governments may divide themselves into Departments of Agriculture, Water Resources, Forestry, Fisheries, Municipal Water Supply, etc., which are rarely organized to facilitate inter-sectoral solutions. However, poor people's survival strategies are **integrated**, that is, they use a combination of resources and make calculations across different sets of resources when planning their investments and extractions. Furthermore, the poorer the people, the more likely they are to derive their livelihoods from a diverse set of activities, and to rely on a diverse set of natural resources. A livelihoods approach helps to make the trade-offs between economic growth, human development, social integration and environmental integrity explicit. Support to livelihood approaches and other adaptive management tools is required to develop management practices that meet the dual objectives of sustainable resource management and poverty alleviation, and that are acceptable to all, or most, of those with a stake.

At a macro-level, the government does still have very important supervisory and planning responsibilities. Intersectoral coordination must still be a goal at the ministry level. Calls for government agencies to deal with intersectoral issues in a holistic manner by themselves usually go unheeded. Again, access to government at high levels by people's organizations or other elements of civil society can help make sure that intersectoral concerns stay on the agenda, and that the integrated perspectives of the poor in particular, are voiced.

Protect the Assets of the Poor. While all rights regimes involve some regulatory and supervisory role for the state, in some cases the rights regime may already be relatively favorable for management by the poor, but they are not able to protect their rights. Poor people need to be protected from or empowered to fight against actors who encroach upon their resources.

For example, coastal fisherfolk may have the right to fish in certain waters, but they may be powerless against trawlers that sweep through their fishing grounds. Irrigators at the tail end of a large irrigation system may have the formal right to water, but in fact their share may be taken by farmers near the head of the system, who may even have switched to higher value and more water consumptive crops through collusion with irrigation officials. Persons dependent on the forest may have no recourse against illegal logging taking place in upper watersheds, but yet they bear the consequences in the form of floods, drought, and soil loss. Municipal funds meant for improvements in slum areas may be siphoned off for projects that benefit the better off. Resources that have been devolved to local levels for community management can be differentially captured by local elites, unless the state plays appropriate monitoring and enforcement roles, in addition to its efforts throughout to foster participatory institutions.

The political will of the state in championing the cause of the poor is tested through its commitment to fight corruption and to uphold the rights regimes it has already developed, and to develop new, enhanced rights regimes for the poor.

Develop Pluralistic Approaches. In parallel with support to broader partnership approaches, considerable attention is also given to developing more flexible pluralistic approaches to decision making. The concept of pluralism recognizes the existence of differing and often conflicting positions. Pluralism has encouraged the development of innovative tools such as resource management contracts and codes of conduct. Such concepts raise issues such as how to achieve needed checks and balances, and accountability, in the absence of absolute standards or single clear-cut solutions. They require more research and testing to translate them into viable operational procedures.

Monitoring and Evaluation

The future assessment of Sustainable Livelihoods (SL) orientated policy needs to be continuously monitored to allow for learning and the identification and dissemination of best practices. Indicator development, monitoring, evaluation and learning will need to take place at all of the following levels. Specifically, the following indicators can be used to achieve this:

- inputs of resources SL policy and programming;
- outputs of tangible products and services which result from SL policy and programming;
- outcomes (extent to which outputs have been used);
- impact (extent to which peoples livelihoods have been changed)
- process (the process refers to the approach used in utilising the inputs to generate outputs, outcomes and impacts).

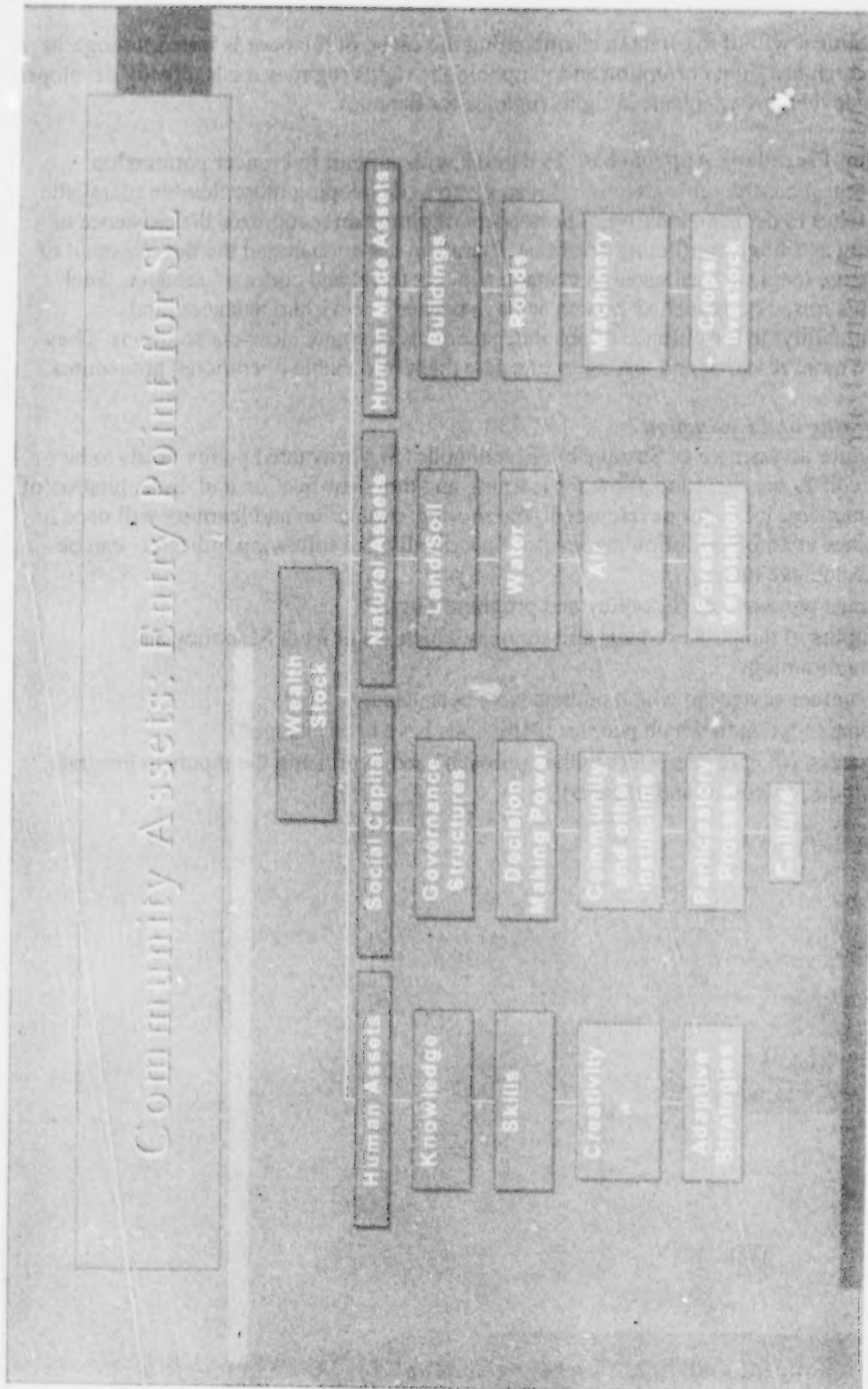


Diagram 1: Community Assets: Entry point for sustainable Livelihoods

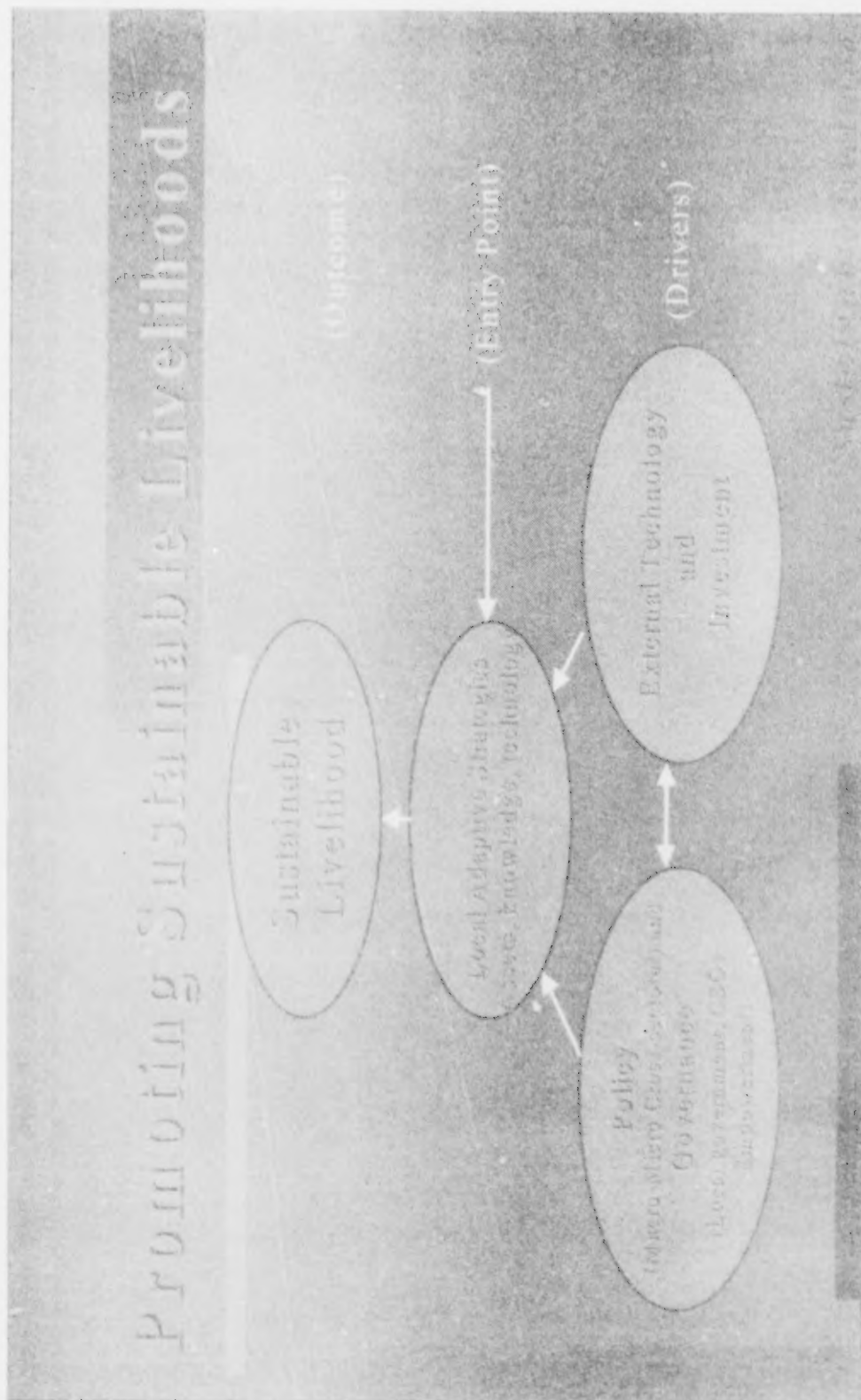


Diagram 2: Promoting Sustainable Livelihoods



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Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives

Second session

New York, 3-14 April 2000

Item 2 of the provisional agenda*

**Preparations for the special session of
the General Assembly on the implementation
of the outcome of the World Summit for Social
Development and further initiatives**

Review reports and proposals for further action and initiatives submitted by organs and specialized agencies of the United Nations system and other concerned organizations

Note by the Secretary-General

Addendum

Contributions from the United Nations Educational, Scientific and Cultural Organization and the United Nations Children's Fund**

1. The Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, in paragraph 17 of the annex to decision 1,¹ invited the United Nations Educational, Scientific and Cultural Organization (UNESCO), in collaboration with other relevant agencies, building on progress made since the World Conference on Education for All, held at Jomtien, Thailand, from 5 to 9 March 1990, to submit a report on progress made towards achieving the goals of education for all as agreed in the Copenhagen Programme of Action, including the goal of closing the gender gap in education, through existing initiatives, and to make

* A/AC.253/12.

** The reports are being issued herewith as received in the language of submission only.

¹ *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45 (A/54/45 and corrigendum), chap. VI, sect. B.*



recommendations on further action. The Preparatory Committee requested that the report also be made available to the Commission for Social Development at its thirty-eighth session.

2. The Secretary-General accordingly circulates herewith, for the information of the Preparatory Committee and the Commission, the report of UNESCO entitled "Education for all since Jomtien" (see annex I).

3. The Secretary-General also draws the attention of delegations to the report of the United Nations Children's Fund entitled "What is needed to reach the education goals of 2015: the perspective of UNICEF" (see annex II).

Annex I

Education for all since Jomtien

In March 1990 in Jomtien, Thailand, some 1,500 participants met in order to address the critical importance of providing basic education for all. It was recognized that, following a slowing down of school enrollment in several regions through out the eighties, mobilization of new partnerships and support for basic education was urgently needed. A declaration and framework for action was agreed upon which encouraged action at global, regional and national levels. Each government was asked to set up their goals and objectives based upon the Jomtien Declaration and Framework for Action. It was agreed that the crucial part of education is not mere school attendance but rather learning. In this connection it was recognized that school enrollment frequently would give a false impression of the efficiency of a given education system where learning achievement often is dismally low. The quality of education was thus presented as ultimately more important than mere access to schooling.

The World Declaration on Education for All underlined the importance of "Meeting basic learning needs" for all and set forward an expanded vision and a renewed commitment. This expanded vision would encompass:

- Universalizing access and promoting equity
- Focusing on learning
- Broadening the means and scope of basic education
- Strengthening partnerships

The Framework for Action encouraged countries to "set their own targets for the 1990s" around the following six dimensions:

1. Expansion of early childhood care and development
2. Universal access to and completion of primary education by the year 2000
3. Improvement of learning achievement
4. Reduction of adult illiteracy rate
5. Expansion of basic education and training in essential skills required by youth and adults

6. Increased acquisition by individuals and families of the knowledge, skills and values required for better living and for sustainable development through all educational channels.

Many countries responded by setting up national EFA teams which developed national action plans that would seek to realize the Jomtien agenda. These action plans aimed at evaluating their own education systems, formulating policies for improving their education systems, strengthening management capacity of people and institutions, creating a more supportive environment for policy making, broadening partnerships, diversifying resource bases and exploring ways of improving delivery of basic education.

At central level, the EFA Forum was officially constituted at the initiative of the five conveners: UNDP, UNESCO, UNFPA, UNICEF and the World Bank with the following objectives:

- To monitor progress by countries and organizations towards Education for All
- To ensure that basic education remains on the world's development agenda (Advocacy and information)
- To promote dialogue and co-operation among Education for All partners

UNESCO, whose mandate puts top priority on education, offered to host the EFA Forum Secretariat which was consequently established in Paris at UNESCO Hqs in order to execute the programme approved by the EFA Forum Steering Committee. This Steering Committee has a very broad representation of all major partners at international level involved in different ways in supporting and developing education for all worldwide. The members include, in addition to the above mentioned conveners, UNDESA, WHO as well as other international government bodies, all major bi-lateral donors, a broad representation of leading NGOs as well as regional representation.

The commitment and resolve arising from the Jomtien Conference were reinforced in the recommendations made by all subsequent UN conferences of the 1990s, particularly the United Nations conference on Environment and Development, Rio de Janeiro, 1992, the International Conference on Population and Development, Cairo, 1994, The World Summit for Social Development, Copenhagen, 1995 and the Fourth World Conference on Women, Beijing, 1995. The importance of basic education for sustainable human development was forcefully reiterated in the reports of the International Commission on Education for the twenty-first century, 1996 and the Hamburg Declaration adopted in July 1997 by the fifth International Conference on Adult Education, CONFITEA V. Member States and non-governmental organizations were urged to promote the right to education for all and to create conditions for all to learning throughout life. In 1996, a mid-Decade Review was held in Amman at which some 70 countries presented their national reports towards education for all goals. The main conclusion drawn from this mid-decade evaluation in Amman was that "There has been significant progress in basic education, not in all countries nor as much as had been hoped, but progress that is nonetheless real".

In 1997, General Assembly Resolution 52/84 requested Secretary-General in co-operation with the Director-General of the United Nations Educational Scientific and Cultural Organization and in consultation with Member States, to consider effective ways and means for achieving the goal of education for all, including the desirability and feasibility of launching a United Nations decade to eradicate illiteracy. This resolution is one of the principal directives which lend authority to the EFA 2000 Assessment exercise, launched under the auspices of the EFA Forum in 1997, following a joint decision by the Heads of UNESCO, UNICEF, UNDP, UNFPA and the World Bank. (The adopted resolution of the 54th General Assembly has further strengthened this commitment). An intensive effort has been made by the Jomtien partner agencies to ensure that the EFA 2000 Assessment would mobilize all Member States and constitute not only a review of progress but also a renewal of goal-setting for the first decade of the twenty-first century. Much greater emphasis is now being placed on the presentation of disaggregated data (by gender, administrative level etc.) that will facilitate in-country and regional educational planning processes. Case studies on literacy and non-formal education, thematic studies, and special surveys on learning achievement and conditions of teaching/learning also form an integral part of the Assessment process.

Within the context of the many international conferences of the 1990s, the message includes the conviction that education is the cornerstone of social development, of achieving quality of life for individuals, economic prosperity, social cohesiveness in a diverse society, values of peace and tolerance. It is related to key social issues such as poverty alleviation, equity (note particularly gender), population matters, health, nutrition and environment. Consequently, EFA Assessment 2000, as well as reviewing progress, has a focus on planning future policy initiatives: the progress and the challenges seen in early childhood education, primary education, learning achievement, literacy, essential skills and better living.

The EFA 2000 Assessment is very much concerned with improving the processes of consultation and participation in preparation of the report and planning the policies of education in the 21st century. Because of this, considerable emphasis has been placed on ownership of the report and its data by the Government concerned.

In July 1998, the Director-General of UNESCO wrote, on behalf of the Forum's Conveners, to invite all countries to participate in the Assessment and urged them to establish a broad-based national assessment group with a coordinator and a technical sub-group as recommended in the *General Guidelines* provided by the EFA Forum Secretariat. At the international level, a Technical Advisory Group (TAG) with members from the five Jomtien conveners was established which compiled *Technical Guidelines*, with a list of 18 core EFA Indicators and other more qualitative means of reviewing EFA progress. It also established an implementation mechanism that foresaw individual Country Reports as the cornerstone of the Assessment process, leading through to regional syntheses of progress and future goal setting.

In addition to regular EFA country reports, the EFA Forum secretariat has launched some 30 special surveys on quality of primary education as well as pupils' learning achievement, and has

commissioned 14 global thematic studies on such topics as girls' education, education for refugees, basic education and literacy for adults, or the population factor in EFA, inter alia. There is clearly a huge demand, in the information age of the 21st century, for international agencies to assist countries, particularly their education communities, to improve their level of ease concerning collecting, processing or interpreting quantitative data. The EFA Forum secretariat has had to stress that one indicator needs to be interpreted in relation to others, rather than each in isolated, standalone fashion.

Altogether, these assessment activities undertaken in nearly all of UN member states will provide a basis for understanding and improving basic education that is likely to be more thorough and comprehensive than anything available until now. More than 180 countries have officially taken part in the EFA 2000 Assessment. 10 Regional Technical Advisory Groups have been set up in order to help mobilizing countries falling within these regions to carry out the evaluation in question, provide technical support as well as raise additional funds at regional levels. These RTAGs are also responsible for planning and organizing Regional EFA Meetings. Most of the donor community have rightly insisted that the EFA Assessment 2000 should focus on regional concerns while not denying the need for a global synthesis.

Six Regional EFA Meetings will take place around the world from December 1999 to February 2000, to review regional synthesis reports and decide on future action.

The dates for these meetings are as follows:

- **6-10 December 1999**, The Sub-Saharan African conference in Johannesburg, South Africa, organized back-to-back with the biennial ADEA conference
- **17-20 January 2000**, Regional EFA meeting for Asia and the Pacific, Bangkok, Thailand
- **24-27 January 2000**, Regional EFA meeting for the Arab States and North Africa, Cairo, Egypt
- **2-4 February 2000**, Ministerial review meeting of the nine high-population countries, Recife, Brazil
- **6-8 February 2000**, Regional EFA meeting for Europe and North America, Warsaw, Poland
- **10-12 February 2000**; Regional EFA meeting for the Americas, Santo Domingo, the Dominican Republic

While the EFA Forum's international Steering committee has decided that the Jomtien World Declaration is still valid and should be maintained, it has appointed a drafting group to re-examine the Framework for Action This new document, to be reviewed by Member States at the up-coming regional conferences, will be adopted at the World Education Forum in Dakar, April 2000. It will also be submitted to the UN General Assembly in the year 2000, and will feed into the many global policy fora which will discuss the role of education in the context of sustainable development

The Steering Committee, the Secretariat, the RTAGs, and indeed the countries, see the EFA Assessment as a process, that could and should continue well into the next millennium, seeking to improve the scope and particularly the quality of basic education for all and increasingly linking reliable educational data with more informed policy formulation and decision making.

The World education Forum in Dakar (April 2000) will be the culmination point of the EFA 2000 Assessment. The World Education Forum will receive a global synthesis report based on the results of the EFA 2000 Assessment, together with the findings and recommendations of the previously held regional EFA meetings. Based on an examination of these documents, the Forum will adopt a Global Framework for Action which will be an Agenda for Education in the 21st Century. This Agenda, the immediate outcome of the World Education Forum, will be disseminated very widely in different languages, and communicated to the several UN development conferences scheduled later in the year 2000.

It seems clear that the EFA 2000 Assessment has been very successful in mobilizing large numbers of countries and EFA partners working together in producing what is probably the largest evaluation ever undertaken in this domain. The data now being processed is of higher quality and relevance than ever before and will be an extremely useful instrument for better planning of further plans, strategies and policies to realize the goal of providing Education For All.

A draft Executive Summary of a Global (Dakar) Framework for Action is attached as well as the draft version of the African (Johannesb declaration and framework for action recently endorsed in principle at the above mentioned regional EFA meeting in Johannesburg, 6-10 December 1999. These two documents will be further revised prior to Dakar. The Global framework will take into account the additional 5 regional frameworks which will be presented at the corresponding regional EFA meetings referred to above. These action plans, eventually endorsed by the EFA Forum, will present objectives and targets for reaching the goal of Education for All by 2015.

Draft Dakar Framework for Action

Executive Summary

Introduction

Learning is the "treasure within." The capacity to learn is the foundation of human development, enlightened existence and the maintaining of livelihoods. Nations have recognized basic education as both a fundamental right in itself and as a key to equipping individuals and entire societies to respect and foster other human rights.

We are now at the close of a decade in which social aspects of development have emerged alongside economic considerations as core elements of national policy. It is now recognized that all persons must have access to a constellation of basic social services if development is to be equitable, peaceable and durable. Education in particular is now seen as pivotal to addressing deepening poverty, sustaining socio-economic progress, and honoring the rights of every person. As the bedrock of all sustainable human development, effective basic education must be broadly supported by adequate and well-managed resources.

The 1990 World Conference on Education for All, held in Jomtien, Thailand, drew world attention to the critical importance of basic education. It highlighted the learning needs of neglected minorities, including girls and women, and emphasized the importance not only of access to schooling but of quality learning. 155 countries endorsed the World Declaration on Education for All and the associated Framework for Action. While it set only illustrative targets, the Declaration explicitly committed all participants to "act cooperatively through [their] own spheres of responsibility, taking all necessary steps to achieve the goals of education for all."

Progress since Jomtien

Six years after Jomtien, in 1996, participating nations reconvened in Amman, Jordan for a mid-decade progress review, and significant achievements were documented. More than 100 countries had developed explicit EFA goals and strategies, and it was clear that the Jomtien goals and principles enjoyed continuing widespread support. An estimated 50 million more children were enrolled in primary school than in 1990, and even in the face of sizeable population increases the numbers of out-of-school children were declining.

Nevertheless, it was crystal clear that millions of persons remain untouched by the optimism of Jomtien and that much of its promise remains unfulfilled. Education may stand high on rhetorical agendas of governments, but all too many commitments remain unmet. Early childhood care programs in developing countries are too few in number,

and in all too many countries poorly qualified teachers are still laboring for low pay amid deteriorated infrastructures. Entire sub-regions in the developing world, most notably Sub-Saharan Africa, are severely constrained by lack of education. Some 100 million children aged 6 to 11 remain out of school, and a further 150 million, including adolescents, have dropped out without acquiring basic levels of literacy. This is not just a developing country issue. One in five adults in industrialized countries cannot read or write a simple text.

Gender disparities persist. Although great strides have been made, nearly two-thirds of children who are denied their right to an education are female. Girls' education has been extensively documented as the investment that offers the largest overall returns for economic development, yet national policies do not reflect this insight. The Amman meeting redefined girls' education as the priority among priorities.

Endemic poverty and gravely unequal distribution of wealth across all regions are among the uneasy legacies we and our children inherit as we cross the threshold from one century to the next. As people are drawn inexorably to metropolitan centers, rural-urban gaps widen. Information technologies threaten to divide societies into those who use them and those who for various reasons do not. Preventable health problems adversely affect school attendance and learning. Massive debt repayment requirements in some parts of the world ensure that more is spent on meeting debt obligations than on primary education.

The World Education Forum in Dakar

During the decade since Jomtien a succession of global conferences and reports on social development have affirmed the eradication of poverty as the necessary condition for development and the importance of education as a primary means toward this end. The Social Summit in Copenhagen placed education squarely in the center of anti-poverty strategies. The Children's Summit, Rio, Beijing, Salamanca, Cairo and Hamburg echoed these themes.

The stage is now set for the countries of the world, individually and collectively, to adopt a stronger, more action-oriented approach to the goal of universal basic education. This is the purpose of the World Education Forum at Dakar, Senegal in 2000.

Discussions at Dakar will reflect the circumstances and imperatives of the new millenium. The forces of globalization, market liberalization, freer movements of human and capital resources across national boundaries, and the pervasive influence of microelectronics are transforming not only how people learn but the nature of what they learn and how they use it. As skills requirements rise for livelihood-sustaining employment, basic learning becomes ever more essential for work as well as for successful graduation into secondary and higher levels of education.

This turbulence and unpredictability surrounding our lives give daily new meaning to the imperatives in the Jomtien commitments. The gulf is widening between those who have access to information and communications technologies – for e-mail, e-commerce and e-learning – and those who do not. Trends towards privatizing education and the associated withdrawal of the state are raising the stakes for families and children living in poverty. Closing the education gap is a first step towards closing the income gap.

Extraordinary opportunities are available today that were not present a decade ago. Global consensus has been forged around the criticality of education to more sustainable human development, and the advantages to societies of educating girls and women are now widely acknowledged. New synergies are beginning to develop around more comprehensive school governance systems and the need to engage a broad set of actors in educational planning and practice. The promises of technology, while yet ambiguous and undefined, offer enormous potential to enhance educational outreach, accessibility, self-paced learning, and meticulous assessment of the individual learning process.

Thus the continuing relevance of the Jomtien Declaration is clear. The world community understands that education for all is pivotal in addressing deepening poverty, sustaining socio-economic progress and honoring the rights of every person. Lacking are the necessary resources and political will to meet commitments already made at Jomtien.

Education for All 2000 Assessment

In preparation for the Dakar Forum, each country has been invited to re-examine its own situation in regard to the basic learning needs of all its people. By means of the Education for All 2000 Assessment, countries are being asked to spell out what has been learned, identify successes and shortfalls, and suggest the most promising directions for the future that can be pursued with the help of the international community.

National teams have implemented these efforts at country level, assisted by subregional technical advisory groups. Global and regional thematic studies have also been conducted on educational issues of global concern, such as literacy and non-formal learning, and surveys on the conditions of teaching and learning. Results are being reported to regional meetings.

Information and suggestions gathered through the EFA 2000 Assessment will then be used in drafting a new Framework for Action laying out a new set of priorities for global attention at Dakar. Countries will not be asked to change the Declaration, only to enter into a new global compact and action plan to ensure that its goals are actually accomplished and its commitments met.

Final determination of global priorities will await the regional meetings and special studies. In the meantime, however, a global campaign and action plan is proposed to raise awareness of the need for renewed and sustained political commitments for basic education for all. Global action should be planned within the overall framework of anti-

poverty strategies and build explicitly on the results of the country assessments, with ongoing support of accurate and credible statistical indicators. A central component of the global compact must be the focus on subregions with special problems, such as Sub-Saharan Africa.

Dakar Framework for Action

The Framework represents a bottom-up process, resting as it does on the outcomes of the new assessment. Its purpose is to guide, empower and enable national leaders, working through partnerships at the local through global levels, to meet basic learning needs of all by 2015. The Framework will reaffirm existing international promises contained in the Jomtien Declaration, and its fundamental message can be simply stated: *Maintain the vision; keep the commitments.*

The Jomtien Framework urged countries to set time-bound intermediate targets for meeting the basic learning needs of all children, young people and adults. The proposed Dakar Framework expands on themes of the Jomtien Declaration and proposes five operational goals as well as five strategic objectives designed to meet these goals. Global targets are offered for the operational goals.

Six major principles underlie the content of the Framework:

- An uncompromising commitment by governments, civil society and the international community to including all who are discriminatorily excluded as full participants in high quality comprehensive basic learning processes.
- Recognition of the need for a beneficial learning climate for the "whole child."
- Stimulating more effective links between new technologies and basic learning.
- Concrete goal-setting and explicit targets for achievement at national and local levels that reflect internationally established criteria.
- A more prominent role for and engagement with civil society.
- Better collaboration, information sharing, transparency and accountability on the part of all actors.

Operational Goals

The five proposed operational goals and accompanying targets are:

Expanded early childhood care and education – Research worldwide has established the value of programs that ensure that young children are physically

and mentally healthy, emotionally secure and intellectually able to learn. Target: *Early childhood care and education opportunities available to all children, from newborn to school entry, by 2015.*

Universal free primary education – Since basic education is integral to eliminating poverty, universal and free access must be assured to all children, especially those who belong to excluded groups. Target: *Universal, equitable access to, and completion of, basic education for all by 2015.*

Meeting basic learning needs of youth and adults – Basic learning skills and competencies are the prerequisite for young people and adults alike to develop their full capacities, to work, to make informed decisions and to continue learning. Target: *Universal, equitable access to basic learning and life skills programs for all young people and adults, by 2015.*

Quality/achievement – Attendance in school is not an end in itself. Improvements in learning must occur such that an agreed percentage of appropriate age cohorts, or other defined learner group, attains or surpasses nationally defined and objectively measured levels of achievement that are useful to both learners and society. Target: *Measurable improvement attained in educational quality and the assessment of teaching and learning, by 2015.*

Elimination of gender disparities – Gender discrimination of all kinds must be eliminated in the nature of classrooms, schools and education systems. Target: *Gender parity, at least through age 15, in basic education programs (access and completion) by 2015.*

Strategic Objectives

The five proposed strategic objectives are:

Enhanced national investment and effective resource mobilization – Progress in meeting the basic learning needs of all will depend ultimately on the actions taken within individual countries consistent with their special circumstances. Technologies must be harnessed, managerial capacities enhanced, partnerships strengthened and necessary resources made available for teachers to do their job.

A “new space” for communities and civil society – A new political and social “space” must be created to engage learners themselves, civil society, parents and communities in sustained dialogue, decision-making and innovation around basic learning. Building bridges with other basic social services and better articulation with other institutions such as universities and research institutes will be important aspects of this space.

Linking basic education to anti-poverty strategies – Since education is one of the most effective tools for ending poverty, especially among women, national anti-poverty strategies must be explicitly woven into education policies and vice-versa.

Harnessing new technologies – Swiftly changing information and communications technologies must be harnessed to meet basic learning needs as well as to reduce, not exacerbate, economic disparities related to geographical location and other causes. Each country should determine a periodic process of re-evaluation of the availability, suitability and utility of these technologies for all aspects of basic learning

Enabling teachers – Teachers must be acknowledged and supported more practically and technically in their work. Compensation, training and other human resource strategies should be routinely assessed, and threats to teachers' sustained contribution, such as gender discrimination and irregular or inadequate pay, must be openly identified and remedied.

Resource mobilization

Because adequate resources are necessary conditions for effective basic education systems to do their job, resource mobilization must be a central element in any collaborative approach to EFA.

Previous targets have not been met either because insufficient resources have been committed or because existing resources have not been used well. The UN target of 0.7 percent of GNP for aid allocation has not been adhered to, and aid flows have steadily fallen. Assistance from 21 DAC member countries to least developed countries fell from 28 to 23 percent of total aid between 1987 and 1997. Estimates are that a global financing deficit now exists of about US\$8 billion per year between current education spending and resources required to achieve universal primary education.

While not the only answer, increased financial resources are essential to rapid achievement of the goals and targets outlined in this Framework. The proposed Dakar Framework therefore reiterates the need for meeting existing commitments to the already agreed 0.7 percent target for development aid. It asks governments to link debt relief and anti-poverty strategies and to ensure that overall national fiscal targets reflect requirements for achieving the 2015 goals for basic education. Resource commitments on the part of international agencies as well as national governments must be clearly specified and adhered to.

Conclusion

The message of Jomtien remains even more vibrant and relevant today than it was a decade ago. Effective basic education policies are the foundation of all sustainable development, and they must be given the human, financial, technical and other resources they require and deserve.

As we enter a new century and a new millenium we stand at a watershed. Dakar offers the opportunity to renew national and global commitments to the goal of universal basic education and to adapt strategies suitable to the new age. The opportunities are immense – and so, too, would be the costs of failure.

The documents and commitments that emerged from Jomtien shine like beacons that illuminate the landscape of global development. They must be reaffirmed, strengthened and given new impetus in order to achieve the all-important goal of Education for All.

Annex II

What is needed to reach the education goals of 2015: the perspective of UNICEF

The world has made progress in reaching the education goals set for the 1990s: universal enrolment in, and 80% completion of, basic education by the year 2000. In some countries, much progress has been achieved. But this is not enough. Hundreds of millions of school-aged children remain out of school or have never completed a basic education, and in many parts of the world, especially among the least developed countries, enrolment and completion rates have gone down in the last decade,

To achieve the education goals of 2015, therefore, much more must be done. The most important is for all nations of the world to carry out the commitment they accepted when they ratified the Convention on the Rights of the Child: **to ensure the right of ALL children to a basic education of decent quality.** For many reasons, the world community must insist on the fulfillment of this right:

- for the sake of children themselves;
- to promote development and combat social and economic inequality and injustice;
- as an important part of the solution to many of the world's complex, unsolved social and economic problems (e.g., the intergenerational transmission of poverty, civil violence and war, the devaluing of girls and women, child labour, HIV/AIDS);
- as a way to re-establish stability and a sense of normalcy in systems destabilised by financial, political, natural or social crisis.

In order to fulfill and sustain this commitment, the world must **provide the will and the resources** which are desperately needed for basic education. Estimates indicate that \$8 billion a year over ten years could fill many of the resource needs. Such funds could be found in the budgets of many governments and development agencies, as well as in the private sector, if greater priority were placed on basic education – rather, for example, than on arms or on heavily subsidized programmes that only benefit the few.

Commitment and resources are essential conditions – but they are not sufficient. Policies and programmes, based on the experience of the last decade and arising from the context of individual nations and communities, must also be put in place to ensure that children enter basic education programmes and successfully complete them.

Expand early childhood care and development – ensuring that young children, from birth, receive the comprehensive care they require – for their survival, growth, and development. Such programmes, centred on the child, focused on the home, based in the community, and supported by national policies and budgets, can do much to prepare children for enrolling and staying in school.

Guarantee girls' education – ensuring full and equal access to, and achievement in, education for girls and eliminating all forms of gender discrimination in classrooms, schools, and systems. We know much more now about how to educate girls, about how to build consensus and partnerships at all levels of society in support of girls' education, and about how focused interventions can make a difference in educational access and quality for girls. When quality improve, both girls and boys benefit. Specific actions, to be developed further through the UNDG initiative on girls' education, include eliminating all forms of gender-based discrimination in the teaching and learning process, mainstreaming a gender perspective throughout the education system, and socializing girls and boys in a culture of peace and respect for each other's inherent dignity and equality.

Include the excluded – ensuring that all children from primary school entry age to 15 (the ILO minimum age of work) have access to and complete basic education. Governments, communities, and schools must spend greater effort and resources identifying children not in school, including working children, children of ethnic minorities, children with disabilities, and children affected by violence, emergencies, and HIV/AIDS. They must then develop the diverse and flexible programmes needed to ensure the right of these vulnerable children to basic education.

Improve the quality of education through rights-based, child-friendly systems and schools – ensuring that all schools are healthy for children, effective with children, and protective of children, with strong partnerships with communities, parents, and children. Developing such schools implies the need to promote a broader definition of quality that focuses on the quality of educational outcomes – what children actually learn – and includes:

- quality of learners (health and nutrition status of children and readiness for school))
- quality of content, especially in areas such as literacy, numeracy, and life skills (curricula, achievement assessment, and learning materials)
- quality of the learning process (teachers and their training and the use of new technologies to reduce disparities and enhance learning)
- quality of the learning environment (child-centred and gender-sensitive; with adequate hygiene and sanitation facilities, needed health and nutrition services, and policies which promote a healthy, safe, and secure place for learning)

Finally, children and schools must be seen in the wider context in which they exist. The nature of early childhood care and of children's health and nutrition; the risks faced by children, especially adolescent girls; the impact of HIV/AIDS; more frequent conditions of violence and instability; the lack of employment opportunities after school - all of these require more attention from educators and education systems. They must therefore more clearly **understand the conditions of children and their families and enlist the support of other sectors and actors** (health, nutrition, labour, social welfare; civil society and the private sector), not only to make basic education more accessible but also to make both children more ready for school and schools more ready for children.

But the children of the world should not need to wait until 2015 to fulfill their right to a basic education of good quality. In every nation, using every possible means, with greater political will, more resources, and more appropriate policies, progress towards these goals can – and must – be accelerated.



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Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives

Second session

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Item 2 of the provisional agenda*

**Preparations for the special session of the General Assembly
on the implementation of the outcome of the World Summit
for Social Development and further initiatives**

Review reports and proposals for further action and initiatives submitted by organs and specialized agencies of the United Nations system and other concerned organizations

Note by the Secretary-General

Addendum

Contributions from the United Nations Development Programme and the World Bank**

1. The Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, in paragraph 8 of the annex to decision I,¹ invited the Administrator of the United Nations Development Programme (UNDP) and the President of the World Bank, when preparing their upcoming major reports on poverty reduction, to recommend additional strategies, at the national and international levels, as well as policies and programmes for poverty eradication, taking into account the feminization of poverty.
2. The Secretary-General accordingly circulates herewith, for the information of the Preparatory Committee, the UNDP draft executive summary of the *UNDP*

* A/AC.253/12.

** The reports are being issued herewith as received in the language of submission only.



*Poverty Report 2000: Overcoming Human Poverty*² (see annex I) and the World Bank consultation draft summary of the *World Development Report 2000/1: Attacking Poverty*³ (see annex II).

Notes

¹ *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45 (A/54/45 and corrigendum)*, chap. VI, sect. B.

² United Nations publication, forthcoming.

³ World Bank publication, forthcoming.

Annex I

Draft Executive Summary UNDP Poverty Report 2000 Overcoming Human Poverty

A new global strategy against poverty needs to be mounted—with more resources, a sharper focus and a stronger commitment. Based on commitments made at the 1995 World Summit for Social Development, developing countries are being encouraged to launch full-scale campaigns against poverty. Yet despite setting ambitious global targets for poverty reduction, donor countries are cutting down on aid and failing to focus what remains on poverty.

UNDP has to do more to honour its commitments at the Social Summit and provide better assistance—more focused on helping to improve national policy-making and institutions and less dispersed among a myriad of small-scale projects. It has to do more to help countries committed to reducing poverty put effective governance systems in place to implement this objective.

Effective governance is often the “missing link” between national anti-poverty efforts and poverty reduction. For many countries this is where external assistance is needed—but not imposed as a new set of poverty-related conditionalities stacked on top of the existing economic conditionalities.

Based on their commitments at the Social Summit, countries establish their own estimates of poverty, set their own targets and elaborate their own plans. The role of external assistance is to help them build the capacity to follow through on their own decisions and resolutions.

The Commitments to Poverty Reduction

Over three-quarters of countries have poverty estimates and over two-thirds have plans for poverty reduction. But less than a third have set targets to eradicate extreme poverty or substantially reduce overall poverty—the Social Summit commitments. This is a serious shortcoming.

Moreover, the poverty targets at the Social Summit are based on monetary measures, while most development practitioners now agree that poverty is not about income alone, but is multi-dimensional. Thus countries should begin incorporating explicit “human poverty” targets—such as for malnutrition, illiteracy and an abbreviated life span—into poverty programming.

Another shortcoming: many anti-poverty plans are no more than vaguely formulated strategies. Only a minority of countries have genuine action plans, with explicit targets, adequate budgets and effective organisations. Many countries do not have explicit poverty plans but incorporate poverty into national planning—and many then appear to forget about the topic.

Much remains to be learned about how to make anti-poverty plans effective. *UNDP Poverty Report 2000* concentrates on this topic, in order to contribute to the General Assembly's five-year review of progress since the Social Summit and accelerate the collective campaign against poverty in the next five years.

Developing National Anti-Poverty Plans

Anti-poverty plans help focus and coordinate national activities and build support. But to be effective they should be comprehensive—much more than a few projects “targeted” at the poor. And they need adequate funding and effective coordination by a government department or committee with wide-ranging influence. Most critical, they should be nationally owned and determined, not donor driven. These are some of the conclusions from UNDP-sponsored assessments of the poverty-reduction activities of 23 of its programme countries.

While some of the countries most successful in reducing poverty have not had plans, this has been the exception. Having a plan is evidence of a national commitment and of an explicit allocation of resources to the task. It is also a means to build a constituency for change. Without such organized public action, market-driven economies rarely promote social justice.

A major problem with most poverty programmes is that they are too narrow, confined to a set of targeted interventions. One reason: many were constructed as a “social safety net” during some major national breakdown—a financial crisis, a prolonged recession, a wrenching adjustment to external shocks. But macroeconomic and national governance policies have as much impact on poverty as targeted interventions—if not more. Attempting to make such policies more pro-poor should be a major part of any anti-poverty plan.

One reason that many poverty programmes become disjointed is that external donors are providing much of the funding for individual projects. And they do not allocate their funds through regular government channels. In the process national control and coordination are elbowed aside. And building government’s long-term capacity to administer poverty programmes is neglected.

Many national programmes lack a good management structure, located within the government instead of outside it. A multidimensional problem poverty should be addressed by a multisectoral approach, cutting across government ministries and departments. But most programmes hand the responsibility for poverty over to a ministry of social affairs, which generally lacks authority with other ministries. Where a central coordinating committee is set up to overcome this problem, it rarely has enough power to get the job done.

Most governments have difficulty in reporting how much funding goes to poverty reduction—unable to distinguish between poverty-related and poverty-unrelated activities. They often confuse social spending with poverty-related spending. But a lot of government spending could be considered pro-poor if it disproportionately benefits the poor. Under these conditions, it is probably best to set up a special poverty reduction fund, in order to give a better financial accounting and to allow different government departments and ministries to apply to it for financing of their poverty-focused programmes.

Linking Poverty to National Policies

A review of national anti-poverty plans underscores the importance of developing a new generation of programmes that focus on making growth more pro-poor, target inequality

and emphasize empowering the poor. The old-school prescriptions of supplementing rapid growth with social spending and safety nets have proved inadequate.

In countries with widespread poverty, too many programmes still rely, mistakenly, on targeted interventions. It is better to concentrate on building national capacity for pro-poor policy-making and institutional reform—the areas where external assistance should also concentrate its resources.

Standing in the way of integrated poverty programmes, however, is the common “two-track” approach to poverty reduction: growth on one track and human development on the other. The two tracks rarely intersect: economic policies are not made pro-poor while social services are assigned the burden of directly addressing poverty. This is one legacy of old-style structural adjustment programmes, which took up the issue of poverty after the fact or as a residual “social” issue.

The current consensus on the importance of pro-poor growth is still hobbled by an inability to recommend practical policies and concrete reforms of structural adjustment programmes. Part of the problem is confusion on what pro-poor growth is and how to gauge it. Another part stems from not squarely addressing the sources of inequality—such as the unequal distribution of land, the most important asset of the rural poor in many low-income developing countries.

Linking Countries' International Policies to Poverty

Countries should link their poverty programmes not only to their national policies but also to their international economic and financial policies—a connection rarely made. But in a world of increasing economic integration, this link can be crucially important.

External debt is now being clearly linked to poverty. But, as preparations for World Trade Organisation negotiations illustrate, such is not the case for trade policies.

The Enhanced Heavily Indebted Poor Country Initiative promises faster, deeper and broader debt relief, and the World Bank and International Monetary Fund are seeking to tie debt relief to national poverty reduction strategies. Many of the indebted countries doubt, however, that these measures will go far enough—especially if donors reduce aid to finance debt relief. And countries are wary of being subjected to new poverty-related conditionalities.

One reason that poor developing countries cannot pay off their debt is that they cannot penetrate major export markets in industrial countries—due in part to the remaining formidable walls of protection. A good example is the continuing protection by rich countries of their farmers while developing countries are being asked to open up their own agricultural sectors—threatening to undermine their food security and spread poverty.

But such concerns were drowned out at the WTO meeting in Seattle. If trade expansion is to benefit the poor, the international rules of the game must be made fairer. A high priority is to eliminate the protectionism that is biased against developing countries. And to do this, the capacity of developing countries to negotiate global and regional trade agreements should be strengthened—another important area for development assistance.

Official development assistance is supposed to strengthen the hand of developing countries in combating poverty. But not only has it been declining markedly but also it

remains ill focused. In practice many donors still do not make poverty reduction a priority or know how to focus their resources on the poor or monitor whether they are successful. They say that they are opposed to aid conditionality but have not yet figured out how to make developing country counterparts equal partners. Partly to blame is donors' continuing hit-and-miss project approach to development—bypassing the government, dispersing efforts and eroding sustainability.

Governance: The Missing Link

Responsive and accountable governance institutions are often a missing link between anti-poverty efforts and poverty reduction. Even when a country seeks to implement pro-poor national policies and target its interventions, faulty governance can nullify the impact. And so to get poverty reduction campaigns off the ground, reforms of governance institutions often need to be emphasized.

Holding governments accountable to people is a bottom-line requirement for good governance. Having regular elections—free and fair—contributes to accountability, especially if they are also held at the local level. But such democratic forms are no vaccination against poverty.

To hold officials accountable between elections, people need to be organized. And to make democracy work, they need to be well informed. New technologies can make information readily available, but special efforts are needed to connect people to the technologies. This can be an important cutting-edge contribution of development assistance.

Putting decision-making power closer to poor communities can help promote poverty reduction. This is the role of decentralization—when resources and capacity building accompany the devolution of decision-making to lower levels of government. But this is only half the story. The other half is to help poor communities organize to advance their interests. A major source of poverty is people's powerlessness—not just that government is not located close enough to them.

Accountability in the use of public funds is crucial to poverty reduction efforts. On a day-to-day basis the poor pay a high price for corruption. And targeting poverty reduction resources is less likely to be bankrupted by the administrative costs of identifying and reaching the poor than by the diversion of a big part of the resources into other hands.

If corruption were cleaned up at the same time that the poor organized themselves, many national poverty programmes would undoubtedly ratchet up their success in directing resources to the people who need them. Many problems of targeting are, at bottom, problems of unaccountable, unresponsive governance institutions.

Pro-Poor Local Governance: The Neglected Reforms

In mounting campaigns against poverty, local government has often been bypassed and ignored. Donors used to favour funnelling resources through central governments but now increasingly rely on civil society organizations. But the critical role of local government—when elected and accountable—continues to be forgotten.

If poverty reduction programmes are to succeed, local government must be accountable both to the central government for the funds allocated to it and to its constituents for how it uses them. Central government has to continue its involvement, monitoring how local government exercises its new authority and disburses funds—and helping prevent the capture of power by local elites.

In the long run, this is the only way to make decentralization pro-poor. But it requires time, resources and capacity building. For the poor the lasting benefits will outweigh the immediate costs. The current fad, however, is to opt for quick-disbursing mechanisms, even though they are unlikely to be sustainable.

Opening up local government to popular participation, and building partnerships with civil society organisations, can foster greater transparency and accountability. Instituting monitoring and evaluation systems that tie financing to performance can also enhance accountability. Complaints about lack of local capacity can often mask other problems, such as an inadequate incentive structure to motivate poverty reduction efforts by local government.

The Poor Organize: The Foundation for Success

The foundation of poverty reduction is self-organization of the poor at the community level. This is the best antidote to powerlessness, a central source of poverty. Organized, the poor can influence local government and help hold it accountable. They can form coalitions with other social forces and build broader organizations to influence regional and national policy-making.

What the poor most need, therefore, is not resources for safety nets but resources to build their own organizational capacity. This is the direction in which UNDP's support to civil society organizations is moving.

Civil society organizations arising outside of poor communities can play an important role in delivering essential goods and services but are less successful in directly representing the poor. Moreover, relying on these organizations for such social functions—more the responsibility of government—is not advisable over the long term.

Such organizations can play a valuable role by engaging in policy advocacy on behalf of the poor and influencing national policy-making. While community-based organizations are effective in directly representing the poor, they have difficulty in wielding influence outside their localities—until they build broader organizations.

When national or local governments are unresponsive, people must rely on civil society organizations to advance their interests. But the goal is not for civil society organizations to take over the legitimate functions of the state but to forge a strategic alliance between the state and civil society for poverty reduction.

A new generation of poverty programmes focuses on building community organizations to directly articulate people's needs and priorities—rather than concentrating on income-generation activities alone. Some of their greatest success has been in mobilizing and organizing poor women. Experience confirms that once communities are afforded the opportunity, they can quickly build their own organizations and develop their own leaders. Often starting with small self-help groups, communities combine these into larger area-based institutions to exert influence with local government or the private sector.

Typically, the most successful community organizations are broad-based—including both poor and non-poor—and use participatory methods to encourage people's active involvement. One of their greatest accomplishments is to increase people's access to knowledge, skills and technology—often voiced by community members as their biggest priority.

Focusing Resources on the Poor

Most national poverty programmes rely on "targeting" benefits to the poor, but still assume, in practice, that external agents deliver the benefits and the poor are passive beneficiaries. Little wonder that the benefits never reach the poor. At the root of this predicament is a governance problem.

If the poor lack organization and power, it is unlikely that the benefits of poverty programmes will reach them—or, if they do, that they will make any lasting difference. Effective targeting follows from empowerment, more than the other way around. The very term "targeting" probably clouds the issue: better to talk more generally about focusing poverty-reduction resources.

One way of focusing resources is for governments to adjust macroeconomic policies to make growth more pro-poor. Another way is to direct resources to certain sectors—agriculture, rural off-farm enterprises or urban microenterprises—where the poor are employed. A third way is to allocate resources to poor areas or communities. To be effective, this latter approach requires a geographical map of poverty based on a reliable set of human-poverty indicators.

Geographical targeting invariably includes many non-poor households. But trying to direct resources to poor households alone is both difficult and expensive. Moreover, if delivering resources to the poor hinges on empowerment, then targeting by government should probably stop at the community level—and let community organizations take the lead at the local level.

UNDP has been supportive of numerous regional development programmes and rehabilitation programmes in poor areas. Its success has relied on combining the decentralization of government decision-making to regional and local authorities with the empowerment of communities. This model has worked well even in countries with unstable or adverse national conditions.

But focusing resources on poor areas, no matter how successful, might not reach disadvantaged social groups—women, ethnic minorities, indigenous peoples, low-status castes. Special interventions are usually needed. Take the situation of indigenous peoples, among whom poverty is more widespread and severe than average.

Self-determination as a people is one of their most pressing demands. Thus, participatory methods are needed more than usual—particularly those that help foster their distinct languages and cultures. Their self-determination also depends crucially on control of their ancestral lands, and the natural resources that they contain. Thus conservation of the environment is often closely tied to protection of their livelihoods.

Sometimes targeting is carried out not by trying to reach a certain group but by using a certain type of intervention—such as providing basic social services, microfinance or physical infrastructure. These are common components of national

poverty programmes, which assume that the poor will benefit most when these resources and services are offered to all.

Restructuring government expenditures to make such resources and services more available to the poor does not guarantee, however, that the poor will make use of them. In some cases the moderately poor might benefit more than the extremely poor—such as using rural roads to market agricultural products. And when such services are offered on a subsidized basis—as is the case still with many microfinance schemes—they are not financially sustainable.

While such local interventions can often be effective in reaching the poor, the bigger problem is that too often they are regarded as the core of national poverty programmes, and used as substitutes for reforming national economic policies or governance institutions.

Integrating National Poverty Programmes

A general weakness of poverty programmes is their lack of integration. This is partly due to seeing them primarily as a set of targeted interventions—a series of small-scale projects not integrated with national policies. Another part of the problem is the artificial divide between economic and social policies. A third is the habit of thinking sectorally—and organizing government departments along sectoral lines. Poverty, a multisectoral problem, does not fit neatly into any one department or ministry.

The problem is especially acute with respect to such issues as gender and the environment—two areas of major concentration for UNDP. The links between these two areas and poverty remain weak.

Most poverty programmes do not focus on gender inequality as a major source of poverty—despite stark gender differences in human poverty. They rarely incorporate major components for women or examine how their components will benefit poor women. Instead, micro interventions tend to be the preferred option to tackle women's poverty, relegating it, in effect, to a minor problem.

National poverty programmes also seldom have a strong component for environmental and natural resources. Even in countries where environmental degradation has a big impact on the poor, the ministry of environment is rarely represented on government coordinating committees for poverty reduction. So far, countries have kept poverty plans and environmental plans separate.

Part of the problem is the rigid functional divisions within governments that work against crosscutting concerns. Another part is the assumption of a straightforward causal link between environmental damage and poverty. This leads to simplistic policies that strive either to reduce poverty at the expense of the environment or protect the environment at the expense of the poor. But UNDP has found that "win-win" solutions exist for both the environment and the poor—policies and public action that can break the supposed "downward spiral" of impoverishment and environmental damage.

Initiatives to promote basic education and health—perhaps surprisingly—also need greater integration with national poverty programmes. The close links between ill health and lack of income are still not fully appreciated, certainly not in terms of anti-poverty policies. This is particularly important with respect to combating major health

epidemics, such as malaria and HIV/AIDS, which continue to ravage many developing countries.

Monitoring Progress Against Poverty

Countries need a comprehensive, but workable monitoring system to gauge their progress against poverty. Setting targets for eradicating extreme poverty and substantially reducing overall poverty should guide this system. And tracking progress against human poverty should be an integral part of it.

The problem with traditional surveys is that they do not illuminate the causes of poverty or generate enough policy-relevant information. Hence, large income and expenditure surveys will have to be supplemented with rapid monitoring surveys focused on human poverty and with participatory assessments.

Many countries want to generate information more frequently to influence policy-making, but this can be expensive unless done with light surveys, using short questionnaires and canvassing small but representative samples. Participatory assessments are particularly useful for policy-making because they provide valuable insights on how poor people assess their situation and what they think should be done.

A general weakness of poverty monitoring systems is that they are not designed to also provide evaluation of anti-poverty policies and programmes. Thus there is little systematic verification of what policies work—as well as what policies do not—to help countries move closer to their poverty reduction targets.

Annex II

**Consultation Draft
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World Development Report 2000/1
Attacking Poverty

WDR 2000/1 is currently under preparation. This is a consultation draft. The draft will be revised in April and May of 2000 in light of comments received during the Consultation. The draft can be downloaded from the WDR Website:
www.worldbank.org/poverty/wdrpoverty.

- S.2 -

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January 17, 2000**

World Development Report 2000/1

Attacking Poverty

Contents

Part I. A Framework

Chapter 1 The Nature and Evolution of Poverty

Chapter 2 The Causes of Poverty and a Framework for Action

Part II. Empowerment

Chapter 3 Making State Institutions Pro-Poor

Chapter 4 Building Social Institutions and Removing Social Barriers

Part III. Security

Chapter 5 Protecting the Poor

**Chapter 6 Managing National Shocks: Economic Crises and Natural
Disasters**

Part IV. Opportunity

Chapter 7 Building Up Assets

Chapter 8 Making Markets Work for the Poor

Part V. International Dimensions

Chapter 9 International Public Goods

Chapter 10 Development Assistance

- S 3 -

*Consultation Draft
Not for Quotation*

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World Development Report 2000/1

Attacking Poverty

Chapter Summaries

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World Development Report 2000/1

Attacking Poverty

Chapter Summaries

"Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty."

— Kenya, 1997

Certainly our farming is little; all the products, things bought from stores, are expensive; it is hard to live, we work and earn little money, buy few things or products; products are scarce, there is no money and we feel poor. If there were money....

— Ecuador, 1999

"We face a calamity when my husband falls ill. Our life comes to a halt until he recovers and goes back to work."

— Egypt, 1999

"Poverty is humiliation, the sense of being dependent on them, and of being forced to accept rudeness, insults and indifference when we seek help."

— Latvia, 1998

"At first I was afraid of everyone and everything; my husband, the village sarpanch, the police. Today I fear no one. I have my own bank account, I am the leader of my village's savings group...I tell my sisters about our movement. And we have a 40,000 strong union in the district."

— India, 1997

S.1 This Report is about actions to attack poverty in the first decades of the twenty-first century.

S.2 Poverty is about people, the human beings behind the statistics. The voices of the poor tell us that poverty is low income and low human development, but that it is more than this. It is vulnerability. And it is powerlessness. The voices of the poor also reveal what can be achieved when policies and interventions work together to increase material well being and human development, to reduce vulnerability and to increase accountability to the poor. As Bashiranbibi, an agricultural laborer and member of the Self Employed Women's Association in India says, "Today, I fear no one."

- S.5 -

Consultation Draft
Not for Quotation

S.3 Poverty amidst plenty is an affront to universal values. There are many dimensions to poverty, but unacceptably low levels of living are widespread. The world has the wherewithal to attack poverty vigorously. This report proposes a framework for poverty reduction based on recent development experience and the prospects for the coming decades. The experience of poverty reduction in the last fifteen years has been remarkably diverse. Spectacular successes and failures are found side by side. This diversity allows us to draw useful lessons, but it also warns us against simplistic universal policies and interventions. At the same time, while current global trends present opportunities for poverty reduction, they also pose risks of growing inequalities and the marginalization of large numbers. Accessing opportunities for poverty reduction, while managing the risks, will be the policy challenge of the coming decades.

S.4 Based on an assessment of the recent experience of poverty reduction, the Report conceptualizes a framework of action to attack poverty based on three pillars:

- Empowerment: Making state institutions pro-poor and removing social barriers to poverty reduction.
- Security: Helping the poor to manage the risks they face in their everyday lives, and managing national downturns to minimize their impact on the poor.
- Opportunity: Expanding economic opportunity for the poor by building up their assets and increasing the returns on these assets, through a combination of market-oriented and nonmarket actions.

S.5 This implies neither compartmentalization nor hierarchy. Actions for attacking poverty must move broadly on all three fronts. The Report proposes no blueprint to cover all circumstances. Rather, it proposes the empowerment-security-opportunity framework as a way to view country specific policy and intervention packages for attacking poverty. The international community can contribute significantly to this task through financial and non-financial resources for international public goods (such as environmental preservation or research on health vaccines) and through debt relief and targeted development assistance to help countries implement actions to attack poverty.

Part I. A Framework

S.6 This Report is about actions to attack poverty. But what actions? By whom? Over what time frame? Our consultations for the Report uncovered a range of sincerely held but very different views on the best way to fight poverty:

- Accountability of state institutions to the poor is needed, including advancement of electoral democracy.
- Gender equity is the *sine qua non* of a poverty reduction strategy.

- Global-level actions such as research in health or management of capital volatility are crucial.
- Rapid economic growth, brought about by macroeconomic stability and minimal government interference in markets and international trade, is at the core of poverty reduction.
- Labor-intensive growth and investment in basic social services provide the strategy for poverty reduction.
- Rapid integration into world markets is good neither for growth nor for poverty reduction.
- Rich countries need to moderate their economic growth and consumption, to minimize environmental damage affecting the poor.

S.7 How do such widely different views arise, when the common objective is poverty reduction? The answer is that people differ in their understanding of poverty and its causes. The Report begins, therefore, by setting out our conception of poverty, and our understanding of what explains the evolution of poverty.

Chapter 1 The Nature and Evolution of Poverty

S.8 Poverty is unacceptable human deprivation. But what is deprivation, and what is unacceptable? This Report takes as a starting point the now traditional conception of poverty as encompassing both low levels of income and consumption and low levels of achievement in education, health and nutrition status. But it also draws on other traditions to go beyond these dimensions to include vulnerability and powerlessness. This broader conceptualization of poverty is supported by the voices of the poor themselves and by philosophical arguments by Amartya Sen and others for viewing poverty as a deprivation of basic capabilities rather than merely as low incomes. And driving this effort is the prospect of finding new lines of inquiry that will add further to our understanding of the causal mechanisms generating poverty and identify more effective actions for fighting poverty.

S.9 A broadening of the dimensions from income and consumption to education and health led to a broader causal framework and to a broader policy framework. World Development Report 1990, which defined poverty in these terms, famously put forward a two-part strategy based on income growth and public spending on basic social services. The broadening we propose will lead to a corresponding broadening of the causal framework and greater analytical and policy insight. It brings to center stage the policy issues of security and safety nets, which was only partially handled in World Development Report 1990, and it brings to prominence actions in the social and institutional arena.

S.10 What has happened to poverty in the last decade? Global trends are not particularly encouraging. But the real story is that there has been tremendous diversity in

- S.7 -

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outcomes: across dimensions, regions, communities, households and individuals. This differentiation theme is central to the Report.

- For income poverty, global totals have not changed much in the last decade—there are still around 1.2 billion people surviving on under a dollar a day. But there is considerable regional variation. In East Asia there was a spectacular fall in poverty, largely due to China. But income poverty rose in all other regions of the world except the Middle East.
- And within regions there are large variations across countries. Thus, for example, for the eight African countries for which we have data for the 1990s, poverty increased in five, matching the regional trend, and decreased in three. Other regions experienced similar differentiation.
- Within a country, poverty in different areas can and does move in different directions. For example, in Mexico during 1989-1994, the poverty incidence in Mexico city fell by two thirds while in the Southeast it rose by 10 percent. Similar patterns are found in other countries and other regions.
- Disaggregating further, panel data show a pattern of tremendous volatility over time at the household level. When households in seven countries are classified as "always poor," "sometimes poor," and "never poor," the "sometimes poor" group is generally much larger than the "always poor" group. For example, in Pakistan 55.3 percent of the households fell below the poverty line at some point between 1986 and 1991—only 3 percent were "always poor."
- Nonincome dimensions of poverty show the same pattern of differentiation in the evolution of poverty across regions, countries within regions, areas within countries, and households within areas. For example, the 10 best performers on infant mortality rates all had a better than 5 percent rate of annual decline; the 10 worst performers actually had increases in infant mortality rates in the 1990s (for some, this was the result of the AIDS epidemic).
- Gender disaggregation reveals further variations in performance along different dimensions. In Sub-Saharan Africa, life expectancy has been improving much faster for men than for women. In Europe and Central Asia the ratio of female to male life expectancy rose but only because male life expectancy fell dramatically in the 1990s. Statistics on income poverty, and standard education and health indicators, do not capture such microlevel realities of poor women's lives as domestic violence. These dimensions of poverty are revealed through more participatory approaches to poverty assessment.

S.11 Thus our basic message is that the patterns of poverty evolution are enormously varied, especially at the disaggregated level. One should not expect, therefore, a simple causal explanation of these changes, and even less so a uniform set of policy prescriptions. Differentiated patterns of outcomes indicate differentiated causes and thus differentiated policy responses.

Chapter 2 The Causes of Poverty and a Framework for Action

S.12 The previous chapter showed the highly varied patterns of poverty reduction in the last decade. What are the causes of poverty reduction? Through all the complexities of these patterns, there is a strong association between national economic growth and national level poverty indicators. This is true for income poverty measures and for nonincome poverty measures. This is the sense in which economic growth is the engine of poverty reduction. But there is a wide variation across countries in the extent to which economic growth reduces poverty. For income poverty, one study calculated that for a one percent increase in per capita consumption the range of reduction in the incidence of poverty could vary from 1 percent to 5 percent. There is also a large variation in the impact of economic growth on nonincome indicators of poverty such as infant mortality rates.

S.13 Whether growth translates into significant reductions in poverty depends on a number of factors. The degree of inequality in society matters. Studies find that the responsiveness of income poverty to growth increases significantly as inequality is lower. Initial levels of inequality in assets (land and education) also determine the poverty impact of growth, as do gender and ethnic inequalities. Addressing these structural inequalities thus become a crucial component of a poverty reduction strategy.

S.14 For a long time there was a concern that greater equality in different dimensions would come at the expense of lower growth. More recently, however, empirical studies have tended to show that more equal societies can actually grow faster. This is true of assets inequality and gender inequality, for example. Thus greater equity in these dimensions has a double impact on poverty reduction—because the impact of any given growth rate on poverty reduction is greater, and because the growth rate will be higher as well.

S.15 The stability of the growth path matters. There is evidence for some countries of asymmetric patterns of poverty responses to booms and recessions, and there is growing evidence that short-term shocks in nonincome dimensions such as education and health can have long-term consequences.

S.16 Improvements in national poverty aggregates which accompany growth can nevertheless hide considerable worsening for a significant number at the disaggregated level. For example, data for Ghana show an overall fall in poverty incidence between 1989 and 1992, but this is composed of a fall in poverty in rural areas and an increase in urban area. And it is cold comfort to the urban poor to be told that the national incidence of poverty has gone down.

S.17 The fundamental causal processes underlying growth and its distribution include social and political forces that lead to certain policies (public expenditures skewed away from primary education, for example) and to the persistence of certain social practices (such as gender discrimination). Governance is closely connected to poverty outcomes at any given rate of growth, and it also determines the rate of growth.

S.18 Global factors matter over and above their impact on growth. The costs of global environmental degradation are often visited upon the poor. Advances in health technologies have led to long-term improvements in mortality rates which are not explained by income growth alone. Agricultural productivity growth depends as much on international scientific advances as on country policies. And development assistance, if delivered effectively can also help poverty reduction.

S.19 Is there a conceptual framework that broadly captures the differentiated poverty outcomes described in chapter I, and the causal issues raised by the discussion of the role of national economic growth in poverty reduction? Various approaches to understanding poverty can be structured around the concept of assets and returns to assets. Well-being is determined by the level of assets and the level and volatility of returns to these assets. This framework can accommodate a wide range of assets. The most obvious are physical and human assets, including in the former land, machinery and financial capital, and in the latter education and skill and health. Geographic location, physical infrastructure and natural assets also fall into this category.

S.20 A key feature of our framework is that individuals interact with each other not just through markets but also through institutions, norms and values. For example, social networks based on reciprocity generate claims (enforced through norms and values) that can be called on in times of distress. Institutions such as the legal system can powerfully affect the prospects for growth and poverty reduction. Such arrangements are sometimes described as assets. But norms, values, and institutions can also act as social barriers to poverty reduction. Whatever the terminology, it is important to grasp that the returns on physical, human and natural assets, and the volatility in these returns, are determined in part by a range of nonmarket factors.

S.21 Given this broader conception of poverty and the broader framework for understanding poverty, as well as the global context for poverty reduction, we propose a framework of actions to attack poverty built on three pillars—empowerment, security, opportunity.

S.22 Under empowerment we consider actions to make state institutions pro-poor (chapter 3) and actions to remove social barriers to poverty reduction (chapter 4). In making state institutions pro-poor, the nature of formal democratic processes is an important component. As important are more detailed processes of accountability, especially legal processes. Actions to build up the social institutions of the poor and to bring down social barriers against particular groups include building up assets of poor women (also discussed in chapter 7), and stopping their exclusion from the market place and increasing their voice through legal and other steps.

S.23 Under security we consider actions to protect the poor against negative shocks, and to manage national-level economic and other shocks. For both, broad coverage of safety nets is crucial. Chapter 5 discusses these and argues that while there should be a vision of a safety net for all, implementation should take a modular approach—with different schemes for different types of risk for different sections of the population. Chapter 6 takes up macroeconomic shocks and develops specific guidelines for pro-poor macroeconomic policy in response to global volatility.

S.24 Under opportunity we consider a range of direct actions to increase the poor's access to physical and human capital, and to increase the rates of return to these assets. Chapter 7 discusses the key role of land reform and investment in rural infrastructure in poverty reduction, and looks as well at physical infrastructure issues in urban areas. Lessons from investment in education and health are also reviewed in this chapter. Chapter 8 takes up the hotly debated question of market liberalization and the poor. For each type of liberalization, the chapter develops guidelines that emphasize the need for country and case specificity.

S.25 Actions to better channel global forces towards poverty reduction are discussed in chapters 9 and 10. Actions to promote key global public goods with benefits for the poorest—like health vaccines and agricultural technology research—are proposed and discussed in chapter 9. The role of development assistance in poverty reduction is discussed in chapter 10, and specific actions are proposed to better orient aid delivery mechanisms to poverty reduction.

Part II. Empowerment

S.26 Poverty is not the outcome of economic processes alone. It is also the outcome of social and political processes and their interactions with each other and with economic forces. These interactions are mediated through a range of institutions that are key to understanding poverty and to formulating strategies to reduce it.

S.27 In the words of Douglass North, institutions are “the humanly devised constraints that structure political, economic and social interactions.” Institutions in this sense encompass a wide range of phenomena—social networks governed by reciprocity norms, customary gender roles, the legal system, the state more generally. Moreover, these institutions interact with each other. While recognizing the interrelationships, we start the discussion of empowerment by focusing on state institutions in chapter 3. Chapter 4 takes up a range of phenomena more closely linked to nonstate institutions.

Chapter 3 Making State Institutions Pro-Poor

S.28 Any poverty reduction strategy must ensure that state institutions work well, and that they work well for the poor. This is assumed implicitly, for example, in any strategy that includes the provision of basic health and education services through the state. There is growing consensus that at any level of per capita income, the nature of governance strongly influences the nature of poverty outcomes, where governance includes such notions as voice and accountability and corruption. Evidence shows that

- S.11 -

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corruption directly affects poor people's lives in myriad ways. Poor governance also reduces the prospects for growth.

S.29 A sense of voicelessness and powerlessness is a key dimension of poverty. There are many aspects of this dimension, but one that has received special attention is voice selecting national governments—formal democracy, in other words. Formal democracy is also one component of more general “voice and accountability” measures at the national level, which in turn form components of governance indicators.

S.30 Democracy is valuable in its own right. Crosscountry evidence also suggests that, on average, political rights, civil liberties, and press freedom are associated with higher rates of growth, lower corruption and better performance on poverty reduction. Democracies are also better at responding rapidly to famines. However, there are large variations around this average. A more interesting question is why there is such variation, and how democracies could more systematically deliver for the poor.

S.31 The chapter argues that how well states take on the interests of the poor depends on the participation of the poor in political processes and on the quality and orientation of organizations in political and civil society, especially the extent to which they mediate the voice of the poor to the state. Empowerment of the poor with respect to institutions of the state is thus both a good in itself and instrumentally, as a way of ensuring that state institutions do indeed become pro-poor.

S.32 One aspect of governance with a tremendous impact on poor people's lives is the rule of law. This can be both the result of inherently inequitable laws (such as women's property rights in some countries) and the result of inequitable and capricious application and enforcement of the law. Police brutality and violence is often mentioned by the poor. Making the legal system more pro-poor will mean changing of laws, speeding legal and other dispute resolution proceedings, and reducing the financial cost of these proceedings. The chapter looks, in particular, at legal services organizations that work with the poor and argues for actions to support them.

S.33 If state institutions are too remote from the daily realities of poor people's lives, can bringing them closer to these realities make them more pro-poor? The chapter considers the question of the decentralization of government and argues for caution in “a premature celebration of the local.” It shows that decentralization works for the poor only when key technocratic and political conditions are met. A focus on these is at least as important for a pro-poor decentralization strategy.

S.34 If success in the fight against poverty requires that state institutions become pro-poor, what are the interests of the non-poor, especially the elite, in making that happen? The chapter argues that factors from self interest to moral imperatives may drive the elites to greater concern about the poor. This means a wide scope for pro-poor alliances in the fight against poverty at the national and the international level.

Chapter 4 Building Social Institutions and Removing Social Barriers

S.35 Making state institutions at the national and local levels pro-poor in their operation should improve poverty outcomes. However, social interactions between individuals and communities also influence poverty. The chapter focuses on the opportunities and constraints that social institutions present to development generally, and to poverty reduction in particular.

S.36 Recognition is growing that differences in traditional inputs such as land, labor and physical capital cannot fully explain differences in economic outcomes. Studies of social capital are uncovering its role in household wellbeing and in the development of communities and nations. An emerging theme is that reaping the full benefits of investments in human capital and physical infrastructure requires complementary forms of institutional development at the local and national levels. A well functioning parent-teacher association may be a necessary complement to building schools and training teachers. Irrigation programs may need to be accompanied by the promotion of social cohesion among farmers.

S.37 Consensus is growing on a definition of social capital as the ability of individuals and households to secure benefits by virtue of membership in social networks or other social structures. This definition is broad enough to go from the micro level of household and community interactions to the macro level of state institutions discussed in the last chapter. Strong ties between family members and close friends can be referred to as "bonding" social capital, through civic organizations and business associates as "bridging" social capital, and ties between the poor and those in positions of influence in formal state organizations as "linking" social capital.

S.38 Research on different types of social capital confirms its importance. For example, Using comparable data on household participation in associational life, studies on Bolivia, Burkina Faso, and Indonesia found—as with other forms of capital—that the poor tend to have less of it, not more. However, the returns to this social capital were found to be systematically higher for the poor. This is the sense in which social capital is the capital of the poor, and policy should promote a diversified portfolio of social assets.

S.39 The state's role is vital in shaping the general context and climate within which organizations of civil society operate, but in some cases the state can also create social capital. A key lesson of experience is to draw on existing forms of social capital in poor communities as a basis for scaling up. At the very least, the state needs to be wary of destroying forms of social capital that are beneficial to the poor—as happens when common property resource management arrangements are dismantled and nationalized in the name of environmental protection.

S.40 A consistent lesson from the social capital literature is that households, communities, and societies which are low in bridging and linking social capital are greatly constrained in pursuing effective development strategies. Societies that are highly stratified along ethnic, gender, and economic lines face a difficult task in forging the

the most well-known examples being the caste system in India and the old apartheid system in South Africa. Discrimination against indigenous and African-origin groups in the Americas are also leading examples of this phenomenon, as is persistent gender discrimination. These social divisions can become the basis for severe deprivation.

S.41 Ethnicity is a major factor explaining poverty and inequality in many countries. In Latin America, poverty is pervasive among indigenous groups. In China, illiteracy is higher for minorities than for the Han majority. In the rural north region of Vietnam, the incidence of poverty is 80 percent for minorities and 60 percent for the majority; 12 percent of minority households are illiterate, or four times the rate for majority households. To the extent that such disparities are due to discrimination—whether in the marketplace or in access to public services such as health and schooling—economic growth alone may not help much. Indeed, the benefits of any growth may flow to the privileged group. What is needed is purposive action to eliminate discrimination in access to markets and public services.

S.42 Ethnic divisions are bad for the group discriminated against. But evidence is accumulating that they are also bad for overall growth and development—and thus for poverty reduction among privileged ethnic groups. Thus policies to combat ethnic exclusion will benefit all.

S.43 Gender discrimination is a major causal factor in poverty and inequality. One study calculated that the world has roughly 100 million fewer women than it would if gender relations were more equitable. Discrimination against women occurs through formal and informal institutions. In some countries, women have no independent right to own or manage property—and no right to transfer anything as an inheritance. Widespread reform is needed in the area of property rights, but also in education and access to credit. Again, such reforms are good not only for poor women, but for society overall. Evidence shows that greater gender equity is associated with better national growth—a double impact on poverty reduction.

Part III. Security

S.44 Poverty is more than inadequate consumption or inadequate education and health. The voices of the poor make abundantly clear that poverty is also fear for the future—knowing that crises may occur, but not knowing how one will be able to cope. As a poor woman in Egypt said, “We face a calamity when my husband gets ill. Our life comes to a halt until he recovers and goes back to work.”

S.45 As traditionally defined and measured, poverty is static. But vulnerability and insecurity are dynamic. Insecurity is exposure to risk and vulnerability is the resulting possibility of decline in well-being. The event triggering a decline is often referred to as a “shock.” Shocks can affect individuals (illness, death), the community, region, or nation at large (natural disasters, macroeconomic crises). Chapter 5, considers risks at the micro level. Chapter 6, considers risks at the community level. Chapter 7, considers risks at the national level. Chapter 8, considers risks at the international level.

Chapter 5 Protecting the Poor

S.46 Vulnerability affects everyone. But it is a greater concern for the poor because downward fluctuations in income can push them below destitution levels. In China, 40 percent of an income shock is passed on as lower consumption for the poorest 10 percent of households while just 10 percent is for the richest third of households, which are better able to insure against many risks. Only 12 percent of households in a survey of South Indian villages had never fallen below the poverty line over a period of nine years.

S.47 At the micro level, shocks that affect specific individuals or households are referred to as "idiosyncratic." At the meso level, shocks affect a group of households, a community, or village and so are common (or "covariant") to all households in the group. Many shocks have both idiosyncratic and covariant parts. A study of crop damage in 15 Ethiopian communities found that 23 percent of rainfall shocks are idiosyncratic, and that 65-87 percent of shocks from other sources (such as pests) are idiosyncratic. Shocks with large common components are more difficult to insure because risk pooling outside the affected group is needed.

S.48 The poor face a range of exposures to risk, including illness and injury, violence, harvest failure, labor market risk and price variations. Several of these risks tend to occur together: harvest failures may coincide with increases in the price of food and be followed by epidemics. Poor households and communities have developed a range of responses to risk. Risk reduction aims at lowering the probability of a negative shock. A single person or household is rarely in a position to take such action (reduce risk of flooding through dam construction, for example). Risk mitigation aims at decreasing the potential impact of a negative shock through diversification of activities and insurance. Risk coping strategies aim to alleviate the impact of the shock on consumption after it occurs—by running down assets, borrowing, or calling on networks for support.

S.49 Many studies have documented that households across the developing world diversify their income sources. But the net effect of these efforts is limited. Evidence from Burkina Faso, Ethiopia, India, Kenya, and Tanzania indicates that poor households tend to be less diversified than rich ones, and remain exposed to greater variability in their incomes, in part because of entry constraints on many activities. Insurance markets are not well developed in the poorest parts of the world, so households engage in self-insurance—they accumulate assets in good times to draw down in bad times. But asset values and income are often covariant—"fire sales" of assets by the poor all at the same time can push down their price. Households prefer not to sell assets under these circumstances, and so cut consumption even further, as happened in the 1984-85 Ethiopian famine. Households also engage in informal and group insurance, relying on transfers from their networks to tide them over. Evidence shows that in most countries transfers are strongly concentrated among the poor households—it is not uncommon for transfers to add a third to a half to a household's pre-transfer income.

responses can translate into long-term poverty traps. Diversification into safer but low-return activities is one example. Another is pulling children out of school sending them to work to supplement household income at times of stress—there may be no short term alternative, but the long term cost may be severe.

S.51 Enhancing the security of the poorest households has to be a key part of a poverty reduction strategy—not only because negative shocks worsen household poverty, but because household behavioral responses to risk perpetuate their poverty and impede long-run growth and development. The chapter presents a vision of comprehensive assistance for protection of the poor—but not through a single, uniform safety net. Rather, it takes a modular approach and argues for a system of specific risk management and assistance and safety nets for specific risks and specific sections of the population. It considers, in particular, seven instruments—pensions and old age assistance, unemployment insurance and assistance, workfare schemes, health insurance, social funds, microfinance, and cash transfers. For each, it reviews experiences and draws lessons.

S.52 The balance needs to shift from policies for coping to policies for reducing and mitigating risk—providing health insurance, managing labor market risk better (especially child labor), and providing better access to credit and financial assets. The chapter outlines the conditions under which the state could step in and market- or government provided mechanisms are likely to be more cost-effective than informal mechanisms. For example, studies have shown that the poor are generally able to insure themselves adequately against minor illnesses but not against catastrophic illnesses or disabling injuries. Public provision of insurance against major health shocks could thus improve the welfare of poor households. Evidence suggests that premiums for such insurance are likely to be well below households' willingness to pay. Unemployment assistance, social funds, and workfare programs are tools that can effectively alleviate labor market risk for the poor. Microfinance programs have helped moderately poor households smooth consumption, but loan size and repayment schedules need to be made more flexible for such programs to also reach the poorest households. As also mentioned in Chapters 6 and 8, cash transfers, welfare programs, social funds, and school scholarships can be used as effective safety nets in the face of economywide crises and to cope with the short-term costs of economic reforms.

Chapter 6 Managing National Shocks: Economic Crises and Natural Disasters

S.53 Economic crises and natural disasters are among the most important causes of sharp increases in poverty. These phenomena have occurred throughout history and many will continue to occur. Still, much can be done to avoid economic crises and prevent natural disasters—essential parts of the poverty reduction agenda. Responses to such crises should give priority to protecting the poor from drastic cuts in living standards and deterioration in their human and physical assets.

increase of 3.7 percent in income per head for urban areas, and 2 percent for rural areas during the 1970s. Also, crises ratchet up inequality, so that later growth tends not to eliminate the higher level of inequality generated during a downturn. The impact on nonincome indicators is also striking. In Indonesia, the dropout rate for children ages 7-12 in the lowest income quartile increased from 1.3 percent in 1997 to 7.5 percent in 1998. For 13-19 year olds the drop out rate rose from 14.2 percent before the crisis to 22.5 percent after. Economic crises can thus have persistent effects through their impact on the human capital of the poor.

S.55 Clearly, crises are to be avoided. The 1990s have seen a different type of crisis from those of earlier periods. Irresponsible fiscal or monetary policy seems not to have been widespread. Rather, the most important cause of these recent crises was weak banking systems and weak financial regulation in a world of large and volatile international capital flows. The direct policy responses are thus to improve prudential regulation and implement bankruptcy reform.

S.56 One example of an area of controversy in policy is the choice of exchange rate regime—flexible or hard peg? A flexible exchange rate regime allows smoother adjustment given an exogenous shock. The argument for the hard peg is that it reduces the likelihood of a home-made crisis through irresponsible fiscal or monetary policy. Under hard pegs labor markets are more likely to adjust to a shock through changes in unemployment, while under flexible exchange rate regimes real wages are more likely to adjust. The impact on poverty depends on whether the poor are primarily unemployed or whether they are employed but in low and flexible wage sectors. This will vary from country to country.

S.57 Once a crisis is under way despite the best efforts to avoid it, responses to the crisis can be more, or less, pro-poor. A poverty-sensitive response should: help the poor maintain adequate consumption levels and access to basic social services, avoid permanent reversals in the accumulation of human and physical capital; and prevent the development of self-defeating behavior such as criminal activities or abusive child labor. The evidence shows that protecting the poor from sharp, short-term drops in income through appropriate macroeconomic responses and well-functioning safety nets not only enhances equity but can also result in better growth outcomes.

S.58 A socially responsible approach to macroeconomic crises should, above all, avoid overkill—monetary and fiscal policy responses that result in a larger recession than needed to restore macroeconomic balance. Such overshooting is particularly damaging to the poor. Fiscal adjustment during crises should also be pro-poor. Programs that are particularly important to the poor—basic education, preventive health care, water and sanitation, rural infrastructure, and slum upgrading—should be protected from budget cuts. For example, Peru has recently introduced a “Fiscal Prudence and Transparency Law,” one component of which is prioritization of targeted poverty alleviation programs in the event of austerity measures. Safety nets for the poor should not be an afterthought in a crises. As discussed in chapter 5, a comprehensive system of tailored interventions for different needs and groups should be in place to protect the poor from the effects of policy responses to the crises.

S.59 Between 1988 and 1997, natural disasters claimed around 50,000 lives and caused damages of more than US\$60 billion a year. Dramatic as these costs are, they underestimate true costs since they tally only the direct physical impacts on fixed capital and inventory. The human costs include injury and disability, destruction of social networks, and psychological trauma.

S.60 Natural disasters have increased over the last ten years, and developing countries suffer the brunt of their destructiveness. In 1990-98, 94 percent of the world's major disasters struck developing countries, which also suffered more than 97 percent of disaster-related deaths. In poor countries, the poorest are the least able to bear the burden of natural disasters. In Ecuador, the economic and social costs of El Nino during 1997-98 were substantial for the most vulnerable groups with an impact on equivalent to an increase in the poverty incidence of 10 percentage points.

S.61 Experience with natural disasters points to the need for a major shift in policy—from response to preparation and from the mobilization of resources after disaster strikes programs of risk reduction and risk mitigation. Reducing physical vulnerability requires better information (and better access to it), improved land and water use management, better protection of critical infrastructure, protecting critical infrastructure, and a sturdy institutional framework for disaster preparedness. Financial risk management instruments at the national level include catastrophe insurance or issuing financial instruments such as catastrophe bonds. For risks that cannot be absorbed in this way, the government should consider calamity funds—for financing safety nets and social assistance for disaster victims who are poor. The reconstruction period following a natural disaster provides a further opportunity for reducing vulnerability. Evidence suggests that community participation in decision making and implementing reconstruction delivers much better results during this phase.

Part IV. Opportunity

S.62 As discussed in chapter 2, the well-being of the poor can be seen as a product of their assets and the level and variability of returns to these assets. Improving their well-being can thus take place by building up these (economic and noneconomic) assets, increasing the return, and reducing the variability of returns. A wide range of assets matter for the poor—human, natural, physical, financial and social. Social assets encompass a range of reciprocal norms and obligations that can be drawn on in times of need, or that facilitate and enforce collective action. These assets are discussed in chapters 3 and 4. Chapters 5 and 6 have focused on volatility and variability in returns on assets of different types. The next two chapters will focus on market and nonmarket mechanisms for building up the assets of the poor and increasing the returns on these assets.

Chapter 7 Building Up Assets

maintaining and enhancing health. Natural assets can be privately owned, such as farmland, or owned and operated as common property resources, such as wood lots. Physical assets include infrastructure like roads or telecommunications, which can be privately owned or publicly supplied. Financial assets include savings and credit instruments of different types.

S.64 The premise of this chapter is that actions to build up the lowest levels of assets are central to poverty reduction. But the assets positions of the poor are highly varied. For a start, geographical position makes a difference. Natural assets are more important to the rural poor than to the urban poor. Infrastructure is important to both, but in different ways. And, there are significant crosslinkages between assets, and so between strategies to build them up. Roads to schools and health clinics, clean water and health, education and returns to farming, are all examples of such interlinkages.

S.65 Actions for building up assets of the poor will thus have to be specific to the particular situation of the poor find themselves, in particular areas of particular countries. However, a general framework can help in thinking through the specific issues involved. Actions to build up assets have typically been thought of on the supply side—schools, roads, telecommunications, rural banks—and these supply side actions have typically been thought of as being undertaken wholly or mainly by the state. But there is a demand side to the story as well. Schools can be built but parents may not send their children because of costs or social norms. A health clinic may be too far away for sick farmers to walk to. Public action to build up the poor's assets should therefore be seen as operating simultaneously on the supply side and the demand side. When demand for asset build up is weak, supply side measures will lead to unused and therefore wasted assets unless measures are also taken to strengthen demand. Where demand already exists, undersupply of assets will lead to frustration of demand and missed opportunities for poverty reduction. A balanced expansion of supply and demand is thus called for. This requires more than state action alone. What is needed is a partnership of the state, the private sector and the poor.

S.66 While there can be no blueprint, the lessons of experience suggest five closely related guiding principles:

- Take national actions for a more equitable distribution of assets. This means supporting land reform, building on recent successful experiences. It also means making patterns of public spending more pro-poor. Many countries spend more on the military than on public health and within health and education, spending is skewed away from sectors which benefit the poor. Within health and education, expenditures are skewed away from sectors that benefit the poor. The same is true of infrastructure. A study of five Latin American countries found ratios of public subsidies of the richest to the poorest quintiles ranging from 2.8 to 1.3.
- Focus on building mechanisms that hold state institutions accountable to the poor. There is ample evidence, for example, of newly built

people. There are also cases where local control of health and education has improved service delivery significantly. In infrastructure, decentralizing responsibility to subnational levels and involving local beneficiaries has led to improvement in provision and maintenance.

- Pay attention to the demand side of the equation. Studies have consistently found that cost (financial and time) and quality affects the demand for health services. Cost recovery needs to be analyzed with care and introduced with caution—and only if appropriate exemptions for the poor can be administratively managed. On the other hand, municipal water to the rich is subsidized, while the poor pay over the top for water in the market. In this case, charging the rich to finance connections to the poor is surely the pro-poor strategy.
- Seek partnerships of government, private sector, civil society and the poor. If the private sector can run telecommunications more efficiently, then a state-private partnership with adequate safeguards for services to the rural areas, is surely better than the wholly state-run systems in some countries. Joint government-community management of environmental resources is working better than the previous system of total control by the state. NGOs, working with community groups, have transformed the operation of credit markets in some countries.
- Build on synergies between assets. Building up one asset can affect other assets negatively or positively. Studies in Belize, Brazil, Mexico, Cameroon and Zaire have shown that new roads in forested areas can lead to deforestation corridors several kilometers wide. Methods and techniques exist to minimize the negative consequences. By contrast, in slum upgrading projects experience suggest significant payoffs to addressing the needs of the poorest groups through an integrated approach—combining roads, water and sanitation, flood prevention, public telephones, and other services.

Chapter 8 Making Markets Work for the Poor

S.67 Markets have a profound impact on the well-being of the poor. Poor workers sell their labor to landlords or factory owners. Poor farmers sell their produce to traders. Informal sector markets are particularly important to women, who sell their labor or the output of small-scale activities. The demand for labor depends, in turn, on domestic and international markets for commodities. Access to credit markets determines the ability to invest—of the poor and of the nonpoor who hire the poor as workers.

S.68 The role of markets and state interventions in markets is a major issue in

ownership with private ownership, and to replace protection with competition from foreign producers and investors. For example, in Latin America average tariff rates were reduced from 50 percent in 1985 to 10 percent in 1996 and maximum tariffs fell from an average of 83.7 percent to 41 percent. What effect have these changes had on the poor? What lessons have been learned from experience?

S.69 Market-oriented reforms of the type described above affect poverty through the rate of economic growth and the pattern of growth. The experience of the last two decades has been highly differentiated across countries and across categories of reforms. Easy generalizations are not possible. Several studies find that on average reforms have been associated with the resumption of economic growth—not sufficient, however, to meet the poverty reduction targets. But there are large variations around this average. One set of reforms which have been found to cause serious disruptions to growth are related to financial sector liberalizations. The combination of open capital accounts, weak regulation of the financial sector, and the volatility of short term capital flows lie behind the major macroeconomic crises in the 1990s.

S.70 For poverty reduction, as important as the rate of growth is the pattern of growth. The view that removing trade barriers would result in low-skilled labor-intensive growth, which was put forward a decade or more ago, is based on standard predictions of the theory of trade. Since developing countries have a comparative advantage in producing goods that depend on low-skilled labor, trade reform should make the production of goods that use low-skilled labor more profitable, increasing the demand for (and hence wages of) low-skilled labor.

S.71 In fact, the evidence shows that in the past 15 years the relative returns to skills have risen, not fallen. While skill-biased technical change explains a large portion of this widening gap, studies show that trade liberalization has played a role as well. For example, a study for Mexico found that reductions in tariffs and the elimination of import license requirements accounted for about one fourth of the increase in the relative wages of skilled labor over the period studied. Another study, based on cross-country regression analysis, found that an indicator of openness is negatively correlated with income growth among the poorest 40 percent of the population but positively correlated with income growth among the higher income groups.

S.72 In so far as they contributed to higher—albeit only modest—growth rates, market oriented reforms appear to have been good for poverty reduction. However, this positive effect is dampened by the fact that the impact of reforms on income distribution might have been unequalizing. Furthermore, grouping all poor people together conceals important differences in poverty outcomes within countries. It also conceals the fact that reforms can have very important short term costs for the poor. For example, a study of six African countries showed that poverty was more likely to decline with improving macroeconomic policy. However, in three countries—Kenya, Nigeria and Tanzania—the standard of living of the very poorest segment declined, even though the incidence of poverty fell. Paying insufficient attention to the fact that important segments of the poor can be absolutely or relatively worse off as a result of reforms could jeopardize social cohesion, poverty reduction, and the sustainability and further progress of reforms. As

term costs of reforms—can have irreversible effects on poor people's assets, particularly the human assets of their children.

S.73 The evidence strongly suggests that market-oriented reforms have different effects on different groups within an economy. There are winners and losers, even among the poor. What is to be done of a reform will increase growth and reduce poverty in the medium term but will hurt large numbers of poor people in the short term? One answer is to provide safety nets that minimize the short term burden on the poor. Another answer, particularly if compensatory measures do not exist, is to regulate the pace of reform.

S.74 Much of the discussion—and much of the controversy—has centered on market-oriented reforms at the macro level. But markets, and state regulation of markets, affect poor people's lives at the micro level as well. This chapter presents evidence that micro-level deregulation—such as lifting the heavy hand of local bureaucracies on small-scale trading activities—can be greatly beneficial to the poor as they work to pull themselves out of poverty. In the coming decade, such reforms should receive more attention than they have in the past.

Part V. International Dimensions

S.75 The well-being of the poor depends increasingly on forces originating outside country borders. Progress in developing malaria and AIDS vaccines in rich countries can determine life and death chances for the poor in poor countries. Commodity price fluctuations generated on world markets can feed through to cocoa farmers in Africa. Common standards set in international agreements can affect working conditions for the poorest in developing countries. Global warming can change the climate and increase the frequency of natural disasters that affect the poorest countries. International development assistance, financial and nonfinancial, properly used, can help in the fight against poverty, while heavy debt burdens reduce the resources available for poverty reduction. This part of the Report takes up some of these international dimensions of attacking poverty. Chapter 9 focuses on international public goods, and chapter 10 takes up development assistance.

Chapter 9 International Public Goods

S.76 International public goods are commodities, services or resources with benefits that cross borders and therefore benefit entire regions of the world or even the entire world. Examples include international economic stability, global health research, and global or regional environmental improvement. These goods are important for every country. But they are essential for developing countries. Take, for example, global health research. The 20th century saw enormous improvements in health indicators. But, for example, income and education improvements explain, on average, only about half of the reduction in mortality between 1960 and 1990. The rest is likely to have been

African countries is another international public good that has had a direct and measurable impact on the lives of the poor. The Green Revolution was the result of international research on high-yielding seed varieties.

S.77 Like public goods at the national level, the production of international public goods suffers because their benefits spill over to others, so every actor underestimates the global benefits of supplying it—leading to a global undersupply. Some form of international cooperation is therefore needed. What kind of cooperation depends on the nature of the public good in question, and the chapter considers a taxonomy and illustrates with examples.

S.78 Labor and environmental standards are international public goods for which demand is higher in rich than in poor countries. The controversy over labor standards, and whether rich countries should use trade sanctions to raise these standards in poor countries, illustrates the different incentives and interests in play. In the environmental arena, the Montreal Protocol on ozone-depleting gases is an example of an international agreement which succeeded despite major differences in interests across participants. It was based on clear scientific evidence of the costs of ozone depletion as well as an understanding that many developing countries would have trouble meeting the costs of joining the agreement. Flexibility was therefore incorporated into the design of regulations for developing countries. The chapter concludes that while provision of international public goods is enormously complicated when incentives differ for countries, a flexible use of a wide range of policy instruments (including development assistance as a compensatory device) will help spur cooperation.

S.79 Tropical health and agricultural research are examples of international public goods for which there is restricted demand in developing countries because of low income and low capacity. While rich countries have the capacity to carry out this research, their private sectors lack incentive to carry it out because of perceived low demand. Yet these goods are essential to growth and poverty reduction prospects in poor countries. Innovative international partnerships are needed to overcome the undersupply of such international public goods. One example is the recent proposal for a vaccine purchase fund. Another is the proposal for an international partnership to develop market-based commodity price insurance mechanisms for developing countries.

Chapter 10 Development Assistance

S.80 Poverty reduction emerged as the central focus of international development cooperation in the 1990s. But development assistance, after peaking in 1992, decline through the rest of the decade. Donors often cited their own fiscal problems as a large part of the reason. Yet even after fiscal deficits in donor countries improved (falling from an average of 4.3 percent in 1993 to 1.3 percent in 1997), official development assistance still fell by 14 percent. The hope at the beginning of the decade that the end of the cold war would lead to a peace dividend for development assistance was clearly not realized.

S.81 The reasons for the decline are manifold. One that must receive close attention is the growing evidence that development assistance has not, in fact, been fully effective in bringing about poverty reduction and growth. Studies have shown that aid flowed to countries which do not have a conducive framework for poverty reduction and growth. One such calculation estimates that if all aid were allocated with this criterion in mind, it would lift 30 million people out of poverty every year, rather than the 16 million a year in its current allocation.

S.82 Allocation of aid across countries is only one part of the problem. The detailed mechanisms of aid delivery, at any overall level of financial allocation, have also come under scrutiny. Studies find, especially in the poorest countries, large numbers of donors with multiple projects cutting across each other, with donor each requiring separate accounting procedures. This lack of donor coordination, and lack of ownership of the development assistance agenda, is a major cause of the ineffectiveness of aid in fighting poverty. A true partnership is needed in which donors support, in a nonintrusive way, a poverty reduction agenda agreed within the country. Donors should consider moving away from planting their flags on specific projects toward supporting a country's overall development program through a common pool of resources. Experiments under way to take development cooperation in this direction should be strongly encouraged.

S.83 The chapter recognizes that the debt burden of the heavily indebted poorest countries is unsustainable and a major obstacle to poverty reduction and growth. It argues for debt reduction initiatives as part of an overall strategy for making development more effective in attacking poverty.

S.84 The chapter ends with a list of principles and actions derived from the findings of this Report for use in guiding international development cooperation:

- *Actions to address inequalities—of assets, across gender and ethnic groups, and so on—that impede poverty reduction and growth.* Examples: support in some countries for market-based land reform programs, such as the one in Northeast Brazil, to address asset inequalities in perpetuating poverty and impeding growth; a global program of removing gender bias in legislation and the operation of legal systems; accelerating the process of skill acquisition by the poor with demand- and supply-side interventions.
- *Support for making institutions of the state (both local and national) pro-poor and accountable to the poor.* Examples: ensuring the poor's access to legal services; providing training to local-level officials on treatment of poor women.
- *Support for capacity building for membership-based organizations that engage the poor in the formulation and implementation of policies and interventions.* Examples: scaling up the organizational impact of community-based organizations by supporting links among

what kind of legal, regulatory, and institutional environments are most enabling for the poor.

- *Recognition of the importance of risk and vulnerability in the lives of the poor and the encouragement of further analysis of its impacts on poverty, efficiency, and growth.* Examples: a global program of research to develop local- and household-level knowledge on the nature of risks and how the poor cope with them; a major initiative to generate qualitative and quantitative information on the lives of the poor, in real time.
- *Development of a modular approach to protecting the poor against shocks, with different interventions—community, market and state—to address different risks and serve different segments of the population.* Examples: micro-insurance programs to complement micro-credit programs for poor women, built around their organizations; institutionalizing labor-based public works schemes, so that they are ready to roll out in response to negative shocks to the economy or a locality.
- *Stronger support for national and international efforts to prevent and respond to macro shocks (financial, natural, and other).* Examples: setting up “calamity funds” for dealing with natural shocks, as is being done in Mexico; support for new technology and training for better risk assessment and disaster communications systems; in financial shocks, avoiding policies that result in excessive contractions of real output and minimizing the impact of crises on the poor through macroeconomic instruments.
- *A clear recognition that universal prescriptions for economic policy reform (including trade and capital account liberalization, financial market liberalization, and privatization) are unlikely to succeed, that local realities matter, and that the success of liberalization in reducing poverty is contingent on institution building.* Examples: support for “micro-level” deregulation to increase the poor’s access to markets at the local level; support for building adequate and accountable institutions and mechanisms before privatization.
- *For sectoral strategies, a recognition of strong cross-sectoral linkages; of cross-cutting impacts on empowerment, security, and opportunity; and of the importance of holding service delivery accountable to the poor.* Examples: explicitly exploiting cross-sectoral linkages—for example, between education and health, schools and roads, roads and health clinics, or girls’ education and child-care facilities; improving the efficiency of education and health facilities through better monitoring and accountability.

- S 25 -

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- *Support for the provision of international public goods that benefit the poorest, and for participation by poor countries in discussions of global arrangements.* Examples: countering the current neglect by medical research of the problems of the poorest and supporting innovative solutions—such as vaccine purchase funds—to bridge the gap between private incentives for research and the needs of the poorest; support for the provision of global commodity price insurance instruments to address key price volatility problems of developing countries.
- *Debt relief and development assistance that support broad-based consensus on a poverty reduction strategy.* Examples: accelerated implementation of the enhanced HIPC Initiative and consideration of special measures for post-conflict countries; holding all Consultative Groups and Roundtable meetings in client countries, increasing the role of civil society and the private sector in such deliberations, and turning leadership of these meetings over to the recipient country as soon as possible.